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THESIS

The Growth and Problems of the Cooperative Movement
in the United States

by

Raymond Lewis Strangford
(B. C. S. Northeastern University 1921)

submitted in partial fulfillment of
the requirements for the degree of

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PREFACE

The cooperative movement has taken on a new importance in the United States within recent years. The business depression has accentuated self-help movements and sentiment favorable to economic experimentation. The Roosevelt Administration has manifested a sympathetic attitude toward and extended definite help to cooperative groups. A Presidential commission was sent to Europe last June to study cooperatives abroad; the state of Wisconsin recently passed legislation providing for the compulsory teaching of consumers' and agricultural cooperation in the public and higher schools of that state; and the press has given increasing space to the discussion of cooperatives.

The purpose of this thesis is to trace the growth of the cooperative movement in the United States and to consider the problems that have been and are likely to be encountered in this country.

The several types of cooperative enterprise are treated but, of necessity, more space is devoted to a treatment of Consumers' Cooperation, which is generally considered to be the true cooperative movement.

Several of the books listed in the bibliography have been reviewed in their entirety and all other books, pamphlets, newspaper and magazine articles listed have been consulted.

Literature has been obtained from several cooperative stores in suburban Boston and the Eastern States Farmers' Exchange at Springfield, Mass. was visited by the writer.

This thesis shows that the Cooperative Movement in the United States is not revolutionary in character, and that it will supplement and aid in the reform of the modern capitalistic system.

Raymond Lewis Strangford.

March 1, 1937.

CHAPTER I

THE BIRTH OF COOPERATION

Social Problems of the Industrial Revolution

In the remote past the user made the things he used, but as generations passed men found that they could make more things than they needed for themselves. Specialization and trade developed by evolutionary stages.

However, it was the invention of a steam engine, a spinning "Jenny," a power loom, etc., which revolutionized industry in England toward the end of the eighteenth century, and with the revolutionized industry came also revolutionized conditions among the people engaged in industry.

As a result of this industrial revolution there arose in England a labor class, whose power became a commodity, which had to be sold in the open market. If these wage earners did not succeed in selling their labor power, it meant misery and starvation for them and their families.

Conditions in many of the industrial towns of England became intolerable. The advantages of lowered cost of production were more than offset by unemployment and the evils of child and woman labor. The great savings were reaped by a limited class, the owners of the

machines. (1)

By the early part of the last century the situation had become critical in England and Scotland. Unemployed adults, displaced by child labor, were faced with starvation and social revolution was threatened. It was at this time that Malthus was advocating fewer children for the working classes. Riots and destruction of factories and machines took place. Workers organized secretly to fight machines -- the trade union movement began. (2)

The Experiments of Robert Owen

One of the first to attack the problems created by the Industrial Revolution was Robert Owen, a factory owner. He protested against child labor. (3) In 1800 he took over the management of a mill at New Lanark, Scotland, and he promptly raised wages, reduced hours of labor, and transferred the children from the factory to schools which he established. By many he is termed the "father of public education."

Owen continued to develop schemes to help the working people. His main idea was to promote communistic colonies in which the colonists would own the land and

(1) Alanne, V. S., Fundamentals of Consumer Cooperation, Northern States Cooperative League, Minneapolis, 1936, p.10.

(2) Sonnichsen, Albert, Consumers' Cooperation, The Macmillan Company, New York, 1919, p. 7.

(3) Ibid., p. 7.

1. Introduction

The purpose of this report is to provide a detailed account of the work done during the period from 1st January to 31st December 1955. The work was carried out in the Department of Physics, University of Cambridge, and was directed by Professor J. J. Thomson. The work was carried out in the Department of Physics, University of Cambridge, and was directed by Professor J. J. Thomson. The work was carried out in the Department of Physics, University of Cambridge, and was directed by Professor J. J. Thomson.

2. Summary of Work

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3. Detailed Account of Work
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work the machinery in common. His first colony was located in the United States at New Harmony, Indiana, but it failed along with others that he sponsored near London.

He gradually gave up the idea of separate communities and made plans for the organization of cooperative groups of producers to sell their products directly to consumers through their stores. Beatrice Potter in her book, "The Cooperative Movement in Great Britain," calls Robert Owen "the Founder of the Cooperative Movement." (1)

"A cooperative society is a voluntary association in which the people organize democratically to supply their needs through mutual action, and in which the motive of production and distribution is service, not profit." (2)

The Owenite movement lasted only from about 1820 to 1840 and failed chiefly because of its philanthropic nature. However, it has been considered by many as the forerunner of modern consumer cooperation.

Owen died in 1858. He had spent all his money in attempting to educate the public in regard to his proposed remedies and in endeavoring to put some of them into practice.

(1) Alanne, V.S., op. cit., p. 7.

(2) Warbasse, J. P., Cooperative Democracy, Harper and Brothers, New York, 1936, p. 7.

Early Organization of Workers

Most of the idealists of the last century failed to inspire the workers, for their schemes all called for much money. However, Owen's idea of collectivism did impress them.

While the proposed experiments of the idealists centered about production, the earliest organizations of workers attacked it from the other end, distribution. They applied the principle of collective control in the matter of stores rather than factories -- shopkeepers were easier to attack than factory owners.

Some consumer societies were formed and stores opened before the close of the sixteenth century. The first on record was formed at Fenwick, Scotland, in 1769 by a group of poor weavers, and a similar enterprise was started at Hull, England, in 1795; in fact there was a large number of these stores in Great Britain during Owen's time. (1)

The Teachings of Dr. King

Dr. King, a successful English physician and an idealist who had founded a technical school at Brighton, England, became interested in the cooperative idea and

(1) Sonnichsen, Albert, op. cit., p. 14.

in 1827 persuaded his students to open a cooperative store. (1)

From 1828 to 1830 he published a magazine, "Co-operator," in which he advocated cooperation as a means of emancipation of the working classes. After publishing twenty-eight numbers, he gave it up in despair -- it was not read by the workers and was passed over by the idealists. (2)

Modern cooperators did not hear of Dr. King and his "Co-operator" until 1913, when Dr. Hans Muller, secretary of the International Alliance, devoted a large part of the 1913 yearbook to King's writings. (3)

V. S. Alanne states that Dr. King really deserves to be designated as "the Father of British Cooperation. (4)

The Twenty-eight Weavers of Rochdale

The idealism of cooperation that swept over England during the first part of the last century had almost disappeared by the early thirties. Depression had caused most of the societies to fail.

The Original Rochdale Society. The Rochdale weavers are regarded as the pioneers of the cooperative movement.

(1) Sonnichsen, Albert, op. cit., p. 15.

(2) Ibid., p. 15.

(3) Ibid., p. 15.

(4) Alanne, V. S., op. cit., p. 8.

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In 1843 **several** weavers of Rochdale, England, sought to lessen the cost of living by opening a cooperative store. Twenty-eight of these weavers agreed and saved until each had accumulated a pound sterling for initial capital and in 1844 opened a store at Toad Lane.

Rochdale principles. It was not a new idea -- hundreds of groups of workers had opened such stores and failed. But their plan had new features: (1) goods in their store were to be sold at regular market prices, (2) dividends were to be paid out of surplus to purchasing members in proportion to the amount of his purchases, (3) shareholdings of members were to receive only a fixed, minimum rate of interest, (4) an appropriation was to be made from earnings for education or propaganda, and (5) each member was to have one vote in directing the affairs of the society, regardless of the number of shares held. (1)

Success of the Rochdale plan. Soon after the founding of the society at Rochdale, a number of other cooperative stores on the same model were started in neighboring communities, and by 1851 there were about 130 cooperative stores in operation in the north of England and Scotland. (2)

(1) Sonnichsen, Albert, op. cit., p. 25.

(2) Alanne, V. S., op. cit., p. 12.

The plan of the Rochdale pioneers succeeded and wherever cooperation has been successful, it has been due largely to an adherence to Rochdale principles.

Its success has been attributed partly to the return of dividends to purchasers, partly to its democratic principles, and partly to its provision for education of the public.

The Movement Spreads in Great Britain

Growth of local societies. The growth of local societies continued for about a generation in the industrial districts of Lancastershire and Yorkshire in northern England and in Scotland.

The Cooperative Wholesale. By 1859 cooperation had passed the experimental stage. Agitation for a wholesale society eventually brought repeal of laws that had prevented it. In 1863 the North of England Industrial and Provident Society was formed. (1) The name was later changed to the Cooperative Wholesale Society, and it eventually adopted the plan of the local societies of returning dividends based upon purchases. The business of this wholesale was managed by a board of directors elected from delegates from the local stores.

By 1864 the wholesale had a membership of 54

(1) Sonnichsen, Albert, op. cit., p. 32.

societies, representing about 18,000 cooperators. (1)

The wholesale brought marked progress to the cooperative movement; in fact, it was a saviour to the small societies. It solved the problem of amateurs' buying on the wholesale market. It saved high salaries and expenses of buyers. The wholesale had greater bargaining power with the producers. It saved the profit of the middle men. It reduced the possibility of failure for new societies. It helped local societies out of their difficulties.

By 1868 there were 60,000 consumers affiliated with the Wholesale, and its total sales were over \$1,600,000 (only \$259,000 the first year). (2) During the same year a wholesale was established in Scotland.

By 1934, ninety years after the founding of the Rochdale Society, 1135 consumers' retail societies claimed a membership of 7,203,000 individuals, or about one-sixth of the entire population of the country. It is estimated that one-eighth of the retail trade, or about \$1,000,000,000 of annual sale, is now conducted through consumers' co-operatives. (3)

The British Cooperative Union. The British

(1) Sonnichsen, Albert, op. cit., p. 32.

(2) Ibid., p. 35.

(3) A report of the Domestic Distribution Department of the Chamber of Commerce of the United States, "Cooperative Business Enterprises Operated by Consumers," Washington, D. C., p. 9.

Cooperative Union was formed in 1869 as an outgrowth of a cooperative congress. Its purpose was to supply the demand for cooperative education and propaganda and to give advice to new societies.

Cooperative production. For many years cooperation was limited to distribution, but eventually the need for a cooperative source of supply was felt. Workers found that the tendency for the cost of living to rise with wages could not be checked even by a general system of cooperative distribution -- fixing of prices is done by manufacturers, not retailers and wholesalers. Cooperators came to realize that they must control the source of supply.

In 1848 the Christian Socialists began to promote self-governing workshops to give cooperative stores a cooperative source of supply, but their first enterprises failed. They later tried to tie up their factories through agreements with the cooperative distributors -- some of the Christian Socialists were prominent in the cooperative movement.

The wholesales' banking departments found that they had more capital than they could handle, and that private manufacturers were discriminating against them. These two factors influenced them to start their own factories in 1872. The British Wholesale started with a cracker factory, next a boot and shoe shop, and a year later a

soap factory.

The Christian Socialists fought cooperative production for twenty years. They did succeed in securing loans from the Wholesale to finance their self-governing workshops, which eventually failed with heavy losses to both the Wholesale and themselves. Cooperative production grew steadily.

Cooperation Spreads Abroad

Beginnings. Cooperation naturally started in Great Britain, for the Industrial Revolution and its evils started there. It was only natural for the remedies to start there also. As industrialism and its evils spread to the Continent, the remedies followed.

Cooperation had a similar growth abroad. There were experiments, failures, and then success.

A Swiss cooperative bakery started in 1851, still exists today, and is one of the largest in the country.

The first consumers' society of record in France was started in 1866. The consumer movement has been backward in France and progress has been slow, due to the development of self-governing workshops that were subsidized by the government.

Denmark was the first to imitate Great Britain in starting a wholesale.

Germany, like England and France, was handicapped

in the beginning by the theorists. Self-governing workshops and credit societies were even promoted in advance of consumer cooperatives.

Development of cooperatives in Italy was hampered by government persecution as late as 1898, but they grew in spite of that persecution.

Russia was late in starting a cooperative movement, but experienced a phenomenal growth, and in 1919 was the leader.

Finland did not get started in cooperation until after the beginning of the present century, but is now covered with a network of societies and has one of the most prosperous wholesales.

Sweden and Norway both started after 1900, but today economic life in Sweden is dominated by cooperative enterprise. For Sweden it is reported that in 1934 one-third of the country's retail trade in products dealt in by cooperatives, as well as 10% of the wholesale trade and manufacturing in fields relating to domestic consumption, was conducted through cooperatives. Retail trade of the Swedish cooperatives amounted to \$101,000,000 in 1934. (1)

Present status. The following table, taken from the Report of the Domestic Distribution Department of the Chamber of Commerce of the United States, shows the

(1) Report of the Domestic Distribution Department of the Chamber of Commerce of the United States, op. cit., p. 9.

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membership in consumers' cooperatives in the principal cooperative countries (exclusive of Russia) in 1933. (1)

Membership in Consumers' Cooperatives in Relation to
Population of Principal Countries 1933

	Population (000 omitted)	Members (000 omitted)	Per cent of Mem- bers to Population
British Isles.....	44,790	7,152	15.97%
Finland.....	3,667	496	13.52
Switzerland.....	4,066	418	10.29
Denmark.....	3,551	329	9.27
Sweden.....	6,190	551	8.90
Hungary.....	8,688	702	8.08
Iceland.....	108	8	7.08
Czechoslovakia.....	17,726	1,031	5.82
Belgium	8,130	467	5.75
Germany.....	65,300	3,344	5.12
Austria.....	6,733	344	5.12
Norway.....	2,817	130	4.60
23 European Countries.....	367,695	18,669	5.07
Canada.....	10,376	39	.38
United States.....	122,775	690	.56
Total.....	500,846	19,398	3.88

The International

Cooperation began to assume an international aspect before 1900, but it has not progressed far in a material sense.

There is nothing in the cooperative movement to confine it to national boundaries, but it naturally progressed first within nations because of common language and

(1) Report of the Domestic Distribution Department of the Chamber of Commerce of the United States, op. cit., p. 10.

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Year	Month	Day	Time	Location	Remarks
1901	Jan	1	10:00	St. Paul	Arrived from Chicago
1901	Jan	2	10:00	St. Paul	Left for Chicago
1901	Jan	3	10:00	St. Paul	Arrived from Chicago
1901	Jan	4	10:00	St. Paul	Left for Chicago
1901	Jan	5	10:00	St. Paul	Arrived from Chicago
1901	Jan	6	10:00	St. Paul	Left for Chicago
1901	Jan	7	10:00	St. Paul	Arrived from Chicago
1901	Jan	8	10:00	St. Paul	Left for Chicago
1901	Jan	9	10:00	St. Paul	Arrived from Chicago
1901	Jan	10	10:00	St. Paul	Left for Chicago
1901	Jan	11	10:00	St. Paul	Arrived from Chicago
1901	Jan	12	10:00	St. Paul	Left for Chicago
1901	Jan	13	10:00	St. Paul	Arrived from Chicago
1901	Jan	14	10:00	St. Paul	Left for Chicago
1901	Jan	15	10:00	St. Paul	Arrived from Chicago
1901	Jan	16	10:00	St. Paul	Left for Chicago
1901	Jan	17	10:00	St. Paul	Arrived from Chicago
1901	Jan	18	10:00	St. Paul	Left for Chicago
1901	Jan	19	10:00	St. Paul	Arrived from Chicago
1901	Jan	20	10:00	St. Paul	Left for Chicago
1901	Jan	21	10:00	St. Paul	Arrived from Chicago
1901	Jan	22	10:00	St. Paul	Left for Chicago
1901	Jan	23	10:00	St. Paul	Arrived from Chicago
1901	Jan	24	10:00	St. Paul	Left for Chicago
1901	Jan	25	10:00	St. Paul	Arrived from Chicago
1901	Jan	26	10:00	St. Paul	Left for Chicago
1901	Jan	27	10:00	St. Paul	Arrived from Chicago
1901	Jan	28	10:00	St. Paul	Left for Chicago
1901	Jan	29	10:00	St. Paul	Arrived from Chicago
1901	Jan	30	10:00	St. Paul	Left for Chicago
1901	Jan	31	10:00	St. Paul	Arrived from Chicago

proximity.

Credit for the first step in international cooperation is given by Sonnichsen to a Frenchman, E. de Boyne, who had aided in the formation of the French Cooperative Union in 1885. He proposed a plan for an international organization to the British Cooperative Union. (1)

Due to efforts of the Christian Socialists, led by Holyoake, to make profit-sharing with workers a condition of membership, the International Cooperative Alliance was formed in 1892 on a compromise basis. (2)

No principles were laid down for membership. It started as a muddle of profit-sharing and cooperation. Annual congresses were held for ten years but with little progress. Struggle eventually resulted in the International Cooperative Alliance accepting the revolutionary principles of cooperation, and the Congress at Glasgow in 1913, just prior to the World War, held much promise of international cooperation. (3)

(1) Sonnichsen, Albert, op. cit., p. 64.

(2) Ibid., p. 67.

(3) Ibid., p. 84.

1944-1945

During the first half of the year, the weather was very dry and the crops were very poor. The weather was very dry and the crops were very poor. The weather was very dry and the crops were very poor.

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1946-1947

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CHAPTER II

THE TRENDS OF CONSUMERS' COOPERATION IN THE UNITED STATES TO 1918

Protective Unions

Cooperation appeared in the United States as early as in any of the Continental countries, and has suffered no more failures here than elsewhere. (1)

The first cooperative society was an outgrowth of a cooperative buying club and was formed by Kaulbach, a Boston tailor, in 1844. (2) Around this society a federation was soon formed, known as the Workingmen's Protective Union. In 1849 it changed its name to the New England Protective Union. At this time the federation had a membership of 5,109, a total capital of \$70,000, sales of a half million dollars a year, and 83 local societies affiliated. In three years it grew to include 403 local societies. (3)

However, internal quarrels caused a split and the American Protective Union was formed. This latter organization developed rapidly, until in 1857 its local stores were doing a yearly business of \$300,000 throughout ten states, most of them in Massachusetts. According to

(1) Sonnichsen, Albert, op. cit., p. 145

(2) Ibid., p. 145

(3) Ibid., p. 146

Sonnichsen, there were as many as 700 of these stores established throughout New England, and others were scattered as far as Illinois and Canada, and a few of them even existing in 1919. (1)

This movement declined rapidly just before the Civil War and went to pieces with the enlistment of its members in the Civil War. Its rapid growth had been due largely to federation, but it had not been a healthy growth. The chief weakness of this movement was that local societies federated before they had become firmly established as units.

Other handicaps to this early movement cited by Sonnichsen (2) are: (1) tied itself with outside matters such as prohibition, (2) its stores were not operated on Rochdale principles -- sold as near cost as possible, and (3) it undertook to judge the moral character of applicants for membership -- modern cooperation does not attempt to set standards of personal conduct for its members.

The Granger Movement

The Grangers, known as the Patrons of Husbandry, a farmers' organization, were the next to take up the cooperative movement in the United States. In the early

(1) Sonnichsen, Albert, op. cit., pp.146-147.

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seventies they began to establish cooperative stores, many of which exist today.

According to Ellis Cowling, they repeated the mistakes of pre-Civil War Days. (1) They also attempted to do business on a basis of charging cost plus the handling expense, and they permitted members to vote on the basis of number of shares owned. These two mistakes brought a swift defeat.

It can hardly be considered a real cooperative movement, for it has always been incidental to other interests.

Sovereigns of Industry

During the hard times and general period of unrest following the Civil War, the laborers under the leadership of the Sovereigns of Industry, a secret order of city workers, attempted to improve their lot through cooperation, just as the farmers were attempting to do the same thing under the Grangers.

This was a truly cooperative movement in many ways. The stores charged current prices and the control was democratic.

Its leaders took an advanced stand and stated that the purpose of the movement was to check predatory capitalism and establish an industrial system based on equity.

(1) Cowling, Ellis, A Short Introduction to Consumers' Cooperation, Central States Cooperative League, Chicago, 1935, p. 38.

This movement spread from Maine to Maryland, and within two years had a total membership of 30,000. The most notable store was at Springfield, Massachusetts. In 1876 this store had 3,000 members and annual sales amounting to \$135,000. However, it failed in 1879 due to poor management. (1)

The decline of the Sovereigns of Industry was as rapid as its rise. Their stores had practically disappeared by the end of the seventies. Ellis Cowling believes that they might have succeeded in giving America a consumers' cooperative movement had they not made two fatal errors. (2) He states that they limited membership to those who were Sovereigns of Industry, and they did a credit business.

The Knights of Labor

Another cooperative effort was made on the part of industrial workers in the next decade under the leadership of the "Knights of Labor." They started a number of stores for the purpose of providing funds for the operation of the Knights of Labor program. Its leaders had a broad view of cooperation, but it was, as already

(1) Sonnichsen, Albert, op. cit., p. 149.

(2) Cowling, Ellis, op. cit., p. 39.

The Commission on the Status of Women, established in 1946, was the first of its kind. It was created by the Economic and Social Council of the United Nations. The Commission's mandate was to promote the status of women and to ensure their full participation in the development of the world. It has since held numerous sessions, each with a specific theme, and has produced a wealth of reports and recommendations.

The Commission's work is carried out through its various organs, including the Executive Secretary, the Secretariat, and the various working groups and committees. The Commission also holds regular sessions, each with a specific theme, and produces a wealth of reports and recommendations. The Commission's work is carried out through its various organs, including the Executive Secretary, the Secretariat, and the various working groups and committees. The Commission also holds regular sessions, each with a specific theme, and produces a wealth of reports and recommendations.

The Commission on the Status of Women

The Commission on the Status of Women was established in 1946 by the Economic and Social Council of the United Nations. It was the first of its kind, and its mandate was to promote the status of women and to ensure their full participation in the development of the world. The Commission has since held numerous sessions, each with a specific theme, and has produced a wealth of reports and recommendations.

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indicated, primarily a labor organization--cooperation does not thrive well in double harness.

Many stores were established as far west as Kansas, but when the national organization failed, it took all the stores down with it.

In California

The cooperative movement seemed dead in the United States in the nineties. There were isolated stores that had been organized by immigrants, who had received cooperative training abroad.

However, at the turn of the century cooperative stores began to spring up in California in the rural districts. At first they were not animated by idealism, but were formed for the sake of economy.

The Rochdale Wholesale Society. As local stores flourished, their leaders formed the Rochdale Wholesale Society at San Francisco about 1900, as a central purchasing agency. Eventually 100 stores had affiliated with the Wholesale, but stores began to fail and eight or nine years later not more than 20 stores remained. (1)

Causes of failure. The causes of failure are considered by Ernest C. F. Adams, one of the leaders and

(1) Sonnichsen, Albert, op. cit., p. 150.

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Conclusion

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later president of the Pacific Cooperative League, to be: (1) lack of business management, (2) careless extension of credit, (3) lack of educational work, (4) and lack of auditing and systematic bookkeeping. (1)

Mr. Adams states that: "The stores succeeded at first because, up to fifteen years ago, almost any kind of business could succeed in California. In the country towns, where Rochdale stores were located, the farming population was a growing and prosperous one." (2)

The Pacific Coast League. The Pacific Coast League was formed in 1913 in an effort to save the remnants of the movement and to promote it on a sounder basis. Since 1913 there has been a gradual healthy growth due to intelligent leadership and a strong emphasis on educational work. (3)

The Northwest

The Right Relationship League. Another cooperative movement was started in the Northwest about 1904 and centered about Minneapolis, where a propaganda society known as The Right Relationship League attempted to create a federation. This movement was stimulated and financed by private individuals. The League sent out organizers and started a number of rural societies. It also published

(1) Sonnichsen, Albert, op. cit., p. 151f.

(2) Ibid., p. 151.

(3) Ibid., p. 151.

an organ, "Cooperation."

This movement resulted in the establishment of several hundred stores, most of which are still prospering.

However, the Right Relationship League gave up its efforts after four years. It was discouraged because of the lack of real success.

Reasons for lack of growth. Sonnichsen enumerates the reasons for lack of real growth as follows: (1) the locals were not interested in federation, (2) the members were mostly farmers and, like the Grangers, emphasized selling rather than buying, and (3) the League attempted to straddle two steeds that do not pull together -- consumers' cooperation and agricultural cooperation. (1)

New York City

Cooperative Cohen. In 1907 a self-conscious cooperative movement started in New York City and spread to surrounding territory. In fact, it prospered more in the suburbs than in the city.

A cooperative society that had been started in the Bronx by several dozen men with a capital of less than a hundred dollars failed in the panic of 1907, but one of the leaders, Hyman Cohen, a Jewish salesman, carried the idea to the East Side.

(1) Sonnichsen, Albert, op. cit., p. 152.

Cohen organized the Cooperative League, little more than a fictitious organization at first, and carried on almost single-handed a tireless propaganda for years. He became known to all the radical elements in the Jewish quarter as "Cooperative Cohen." (1)

In 1911 with about \$300 and less than a dozen active members the League opened a hat store with a fairly large stock, which was procured largely on the credit of one of its members.

The novelty appealed and the store was very successful. Quite a little capital was accumulated as members did not bother to collect rebates on a hat or two.

The first cooperative factory. Inspired by their early success, they purchased second-hand machinery and started a hat factory. Thus they violated a basic principle of consumer cooperation. They did not wait for the market to be established before starting a factory. At least they had the distinction of establishing the first consumers' productive plant in this country. (2)

In an effort to provide a market for their new factory, they opened three other hat stores, but only the original store prospered. Losses eventually forced Cohen to dispose of the other stores and the hat factory. This

(1) Sonnichsen, Albert, op. cit., p. 153.
(2) Ibid., p. 153.

contraction had an adverse influence on the East Side Jews and retarded cooperation in New York City.

The Industrial and Agricultural Cooperative Association. The League finally reorganized into the present Industrial and Agricultural Cooperative Association, which owns and operates restaurants, boarding houses, and a butcher shop, its yearly payroll amounting to about \$20,000 a year. (1)

Significance of Cohen's Cooperative league. This cooperative league of Cohen's lacked funds, but it is significant because it possessed the modern cooperative spirit. Its propaganda had a lasting influence. Delegates from the League to the National Socialist Convention in 1912 succeeded in silencing the opposition of Socialists to cooperative enterprise. The Cooperative League also has the distinction of being the first democratic cooperative organization to carry on general propaganda work in the United States. (2)

Formation of the Consumers' Cooperative League of America

In 1916 the Cooperative League of America was formed. This was a propaganda body backed by private individuals, but with its membership open to cooperative societies on

(1) Sonnichsen, Albert, op. cit., p. 154.
(2) Ibid., p. 155.

a federation basis. This organization has become the backbone of the propaganda for cooperation in the United States. It has stimulated new societies and succeeded in bringing existing societies into a national body. Its president, Dr. James P. Warbasse, is regarded as the leader of the American Cooperative Movement.

The Cooperative League publishes an enormous amount of literature, which is sent out free, provides standardized information, and provides help and guidance. Its educational work fills a need never before supplied in this country, and it serves as a central union.

Summary

The history of cooperation in every country reveals a sequence of experiments, failures, and then success. The period just reviewed for the United States was largely one of experimentation and failure, with success beginning to appear toward the end.

In the great majority of the cases where cooperative societies failed, they never had a real chance to succeed. The leaders had not made it their business to master the philosophy, principles, and aims of the movement. Not only was practical business efficiency lacking, but also the educational side was neglected.

One of the outstanding defects in most of these movements reviewed was the tendency to "get the cart be-

fore the horse" -- to federate before the local units were firmly established. In all of them one or more of the Rochdale principles were violated. Some lacked democratic control, others attempted to sell below market prices, and others attempted to mix cooperation with other matters.

On the whole there were no more failures than in other countries. However, early cooperators in this country may be justly criticized for their failure to profit from the mistakes of earlier experiences abroad. Progress seems to have been by the method of "trial and error" more than by "imitation."

CHAPTER III

THE DEVELOPMENT OF CONSUMERS' COOPERATIVES IN THE UNITED STATES AFTER THE WORLD WAR

Labor Union Cooperative Societies Among Coal Miners

Consumers' cooperation did not gain a permanent foothold in the United States until after the World War.

Illinois. When the war broke out there were two or three dozen local societies in Illinois that had been founded among the coal miners by their labor unions. They were on a firm basis due to the fact that many of their members had had cooperative experience in Great Britain.

Since the war these Illinois societies have developed rapidly. In 1919 there were at least 100 cooperative societies in Illinois, most of them near Springfield, and about one-half of these locals members of the Central States Cooperative Society, a federation which served as a wholesale. (1)

Pennsylvania. This movement has also spread to the miners of western Pennsylvania, centering about Pittsburgh. Many nationalities are represented in these cooperative societies of miners, but Belgians, Italians, and Slavs predominate. In one small town, Bentleyville, the local cooperative, doing a business of \$200,000 a year, dominates

(1) Sonnichsen, Albert, op. cit., p. 158.

THE STATE

THE STATE OF NEW YORK

IN SENATE,

JANUARY 1, 1891.

REPORT

OF THE

COMMISSIONERS OF THE LAND OFFICE

FOR THE YEAR 1890.

ALBANY:

JOHN B. LEECH, STATE PRINTER.

1891.

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the trade of the community. (1)

These Pennsylvania societies have a federation, known as the Tri-State Cooperative Society, which has a warehouse with delivery service to locals. The federation has not only induced local societies to join, but also had established in 1919 twenty-three dependent branches. This organization has successfully promoted stores in some towns where farmer cooperative stores had failed.

Puget Sound

The Puget Sound region has a wide-spread cooperative movement. The local society at Seattle was started in 1918 by a young Swede named Carl Lunn. He organized a society which bought a private store. This store had been doing a business of \$4250 a month, which developed to \$7,000 a month in a short time.

Lunn and his followers are labor men and have the unions behind their movement unofficially, as in Illinois. The unions were so pleased with the success of Lunn that they bought out the entire South End Public Market and established a general wholesale and retail meat business. Part of the premises was given to the cooperative grocery store. Later the labor unions organized the meat enterprise on a Rochdale cooperative basis.

(1) Sonnichsen, Albert, op. cit., p. 158.

Cooperation in North Central States

Farther north the cooperative store societies are largely organized by farmers, sometimes in connection with their marketing associations. This movement centers about Wisconsin, Minnesota, and the Dakotas.

The Cooperative Wholesale Society of America. It is in this region that the Cooperative Wholesale Society of America was formed, with headquarters at St. Paul, Minnesota. Many of the societies in this region have numerous branches. In 1918 one had 75 branches with a paid-in capital of \$700,000 and had begun manufacturing on the Rochdale plan.

The Cooperative Wholesale Society at St. Paul is repeating the mistakes of the Right Relationship League in attempting to coordinate labor and consumer elements.

The Finns. Most of the cooperative activity in this country seems to be in the west and Middle West. The backbone of the consumer movement is among the Finns in Wisconsin and Minnesota, where it has been operating for more than a generation. An extensive system of cooperative general retail stores exists, chiefly in the small towns, and most of them belong to the Central Cooperative Wholesale of Superior, Wisconsin. This wholesale in 1935 did a wholesale business of more than \$2,000,000.

THE HISTORY OF THE UNITED STATES

The history of the United States is a story of growth and change. It begins with the first settlers who came to the shores of the Atlantic Ocean. These settlers were men and women who sought a new life, a new land. They found a land of opportunity, a land of freedom. They built a nation that has become one of the most powerful and influential in the world. The story of the United States is a story of the struggle for freedom, of the fight for justice, and of the pursuit of the American dream. It is a story that has inspired millions of people around the world. The United States has been a beacon of hope and a source of inspiration for many generations. Its history is a testament to the power of the human spirit and the ability of a nation to overcome adversity. The story of the United States is a story that is still being written. It is a story that is full of promise and potential. It is a story that is worth knowing and worth sharing.

Compulsory cooperative education. The cooperative movement is so firmly established in Wisconsin that a state law has been passed which requires that cooperative principles be taught in the public schools.

The North Central states accounted for slightly more than 70% of the consumer societies in the United States and over 60% of the membership in such societies. (1)

Wholesales. Minneapolis has the distinction of having the first cooperative oil wholesale in the United States, the Midland Cooperative Wholesale. Superior, Wisconsin, is the home of the largest wholesale cooperative store association in America in the Central Cooperative Wholesale, with over 130 retail member associations. (2)

One-third of the milk in the city of Minneapolis is distributed through the Franklin Cooperative Creamery, the largest example of cooperative milk distribution in America. (3)

The business done by consumers' societies in 1933 amounted to over \$40,000,000. Three-fourths of this was done in the East and West North Central states with Minnesota societies accounting for one-fifth of the total

(1) Bureau of Labor Statistics, United States Department of Labor, Washington, D. C., Monthly Labor Review, Vol. XXXI, p. 835.

(2) Bowen, E. R., A Cooperative Democracy, The Cooperative League, New York, p. 14.

(3) Ibid., p. 14.

sales.

Cloquet, Minnesota. Cloquet is the center of considerable development in consumers' cooperative undertakings. Here, in this town of 7,000 people, is located one of the largest consumers' cooperative organizations in the United States. In 1933 the Cloquet Cooperative Society did a business of \$566,006. Observers of the cooperative movement in this territory attribute as much as 90% of the success to Finnish immigrants. The Finns are said to be a clannish people and do business with those of their own race in preference to any other.

The Cloquet society is one of approximately one hundred cooperative organizations affiliated with the Central Cooperative Wholesale at Superior, Wisconsin. It was organized in 1917 and, doing a wholesale business of \$132,423 in that year, in 1935 it reached in sales \$2,185,244.90. (1)

Central States

Finnish societies in Illinois. The earliest beginnings in the central states came at Waukegan, Illinois, and Dillonvale, Ohio. In 1910 a group of Finns established the Cooperative Trading Company of Waukegan. By 1935 it did an annual business of \$600,000.

(1) Gunnison, A. B., "Consumers' Cooperatives on Main Street:" Nation's Business, November 1936, p. 100.

The Bohemians in Ohio. Bohemians organized the New Cooperative Company of Dillonvale at about the same time. It now operates branch stores in six surrounding towns. (1) The second largest society in this territory is the Workingmen's Cooperative Company of Cleveland, Ohio. It was also created by Bohemian immigrants.

The Central States Cooperative League. There are now 22 societies in Illinois, Indiana, Ohio, and lower Michigan organized into the Central States Cooperative League, which is primarily an educational federation. It also operates a joint-buying service for its member societies which, it is expected, will grow into a wholesale society in the near future. (2)

Gasoline and oil associations. Gasoline and oil cooperative associations are a development of the past decade. They are found mainly in these central states and chiefly in the rural and farming sections where the cost of gasoline and motor oils forms a large factor in the cost of crop production.

Hard times hit the American farmers right after the war, and finding that the government paid little attention to their pleas for help, many farmers set out to help themselves through cooperation. Cooperative retail stores began to dot the country, and the farmer also turned to

(1) Cowling, Ellis, op. cit., p. 40.

(2) Ibid., p. 41.

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cooperative distribution of petroleum products -- the automobile and tractor had become an important factor in farming.

By 1934 there were 1500 cooperative oil societies of farmers distributing petroleum products. (1)

Cooperation in the East

The Finns of Fitchburg, Massachusetts. There are some examples of successful cooperation in the East. A notable example is the United Cooperative Society at Fitchburg, Massachusetts. This society was started in 1910 but most of its growth has come since the World War. This society, like many in Minnesota, was formed by Finns. It did a business of \$20,000 in its first year. By 1919 this society owned four grocery stores, a men's clothing store, and a bakery, with a combined sales of a half million dollars. (2)

In 1929 this society opened a coal yard, and in 1931 a grocery store and milk business were purchased in Gardner, a neighboring city. It now owns five grocery stores, one shoe store, one bakery, a coal yard, a cafeteria, and two milk plants. (3)

Jewish cooperation in New York City and suburbs. At Paterson, New Jersey, a cooperative bakery, the Purity

(1) Cowling, Ellis, op. cit., p. 42.

(2) United Cooperative Society, Fitchburg, Massachusetts, a pamphlet, A Word about Cooperation Here in Fitchburg.

(3) Ibid.

Bakery, was organized in 1909 by Jewish immigrants in order to provide for themselves a particular kind of bread desired. At first it was not run on strictly Rochdale principles. Instead of charging market prices and returning profits to the purchasing members, the society sold its bread at a little above cost, and, if a surplus remained, that was devoted to some public charity or to strike funds.

During the World War period the Purity Bakery set up a Rochdale constitution and began to distribute its surplus in rebates to the members. The result was a great growth in membership and the bakery became the largest in Paterson.

Following the World War a cooperative housing movement developed in New York City. There are now five of these housing associations in the city with a total investment of well over \$5,000,000. (1) The Amalgamated Cooperative Apartment Houses of New York is an outstanding example. Six hundred families of the lower East Side have built themselves a series of attractive apartments houses adjacent to Van Cortlandt Park, where they pay less per room to purchase their own apartments than they formerly paid in rent to private landlords in the slum districts. (2)

(1) Cowling, Ellis, op. cit., p.41.

(2) The Cooperative League, New York, a pamphlet, A Cooperative Democracy, pp. 13-14.

A summary of the work of the Committee on the
Education of the Deaf in the United States
for the year 1900. The Committee was organized
in 1892 and has since that time been engaged
in a study of the various methods of educating
the deaf. It has held numerous conferences
and has published several reports. The work
of the Committee is of great importance
to the deaf community.

The Committee has been very successful in its
work. It has secured the cooperation of
the various States and has been able to
bring about a more uniform system of
education for the deaf. It has also
been able to secure the attention of the
public to the needs of the deaf.

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THE COMMITTEE ON THE EDUCATION OF THE DEAF
IN THE UNITED STATES
FOR THE YEAR 1900
PUBLISHED BY THE NATIONAL DEAF MUTES' ASSOCIATION
WASHINGTON, D. C.

A chain of cafeterias has been developed in New York City by the Consumers' Cooperative Services. Although only fourteen years old, it now runs 11 cafeterias, has financed a large cooperative apartment house, and still has over \$100,000 in the bank after five depression years. (1)

The Eastern States Farmers' Exchange. The farmers of the eastern states have developed a society to purchase their grain, seed, and farm supplies for them. The Eastern States Farmers' Exchange, contrary to the theory of consumers' cooperation, started on a large scale. It is not a federation; individual farmers are themselves the members.

Mr. Quentin Reynolds, the present manager of the organization states that: "The Eastern States Farmers' Exchange was started in 1918 with headquarters at Springfield, Massachusetts, in order that farmers might purchase at wholesale the raw materials which they use to produce milk, eggs, crops, etc., which they sell at wholesale. The emphasis was placed at first on the opportunities in collective action for saving in prices and in distribution costs. Savings proved to be obtainable, but they were secured primarily by eliminating many of the steps in distribution which cost farmers more than they were

(1) The Cooperative League, New York, op. cit., p. 13.

worth." (1)

A personal interview with Mr. Reynolds disclosed that his organization has given up the idea of trying to compete with old line dealers on a price basis, as the margin of profit in retailing grain, seed, etc., is not large. Instead, the Eastern States Farmers' Exchange is competing very successfully on a basis of quality. (2)

In 1925 the Exchange purchased a feed plant at Buffalo, New York, in order that it might have control over its source of supply. It gave the quality program a new significance. The plant at Buffalo includes a laboratory in which all incoming commodities are tested before they are accepted.

The Exchange now owns fertilizer factories at Boston, Massachusetts, and Wilmington, Delaware.

By 1934, in spite of severe competition, the Exchange had 50,000 members, whose purchases amounted to \$12,000,000. Farmers are served from Maine to Maryland.

This movement is of particular significance in that it emphasizes "quality" rather than "price" as a basis

(1) Eastern States Farmers' Exchange, Springfield, Massachusetts, Cooperative Buying of Farm Supplies, reprint of a speech made by Quentin Reynolds before the American Farm Economic Association at Chicago, December 27, 1934, pp. 157-158.

(2) Interview -- Mr. Quentin Reynolds, manager of Eastern States Farmers' Exchange, at Springfield, Massachusetts, December 26, 1936.

1. The first part of the report is devoted to a general survey of the situation in the country. It is found that the country is in a state of general depression, and that the people are suffering from want and distress. The cause of this is attributed to the war, and the consequent destruction of property and the loss of life.

2. The second part of the report is devoted to a description of the various districts of the country. It is found that the districts are all in a state of general depression, and that the people are suffering from want and distress. The cause of this is attributed to the war, and the consequent destruction of property and the loss of life.

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8. The eighth part of the report is devoted to a description of the various districts of the country. It is found that the districts are all in a state of general depression, and that the people are suffering from want and distress. The cause of this is attributed to the war, and the consequent destruction of property and the loss of life.

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for competition, and that, contrary to consumer cooperative experience, it was successfully started on a large scale.

The Pennsylvania Farm Bureau Cooperative Association has introduced cooperative gasoline into the East and also sells cooperative insurance.

The Tampa Movement

After a long strike of Spanish-speaking workers in cigar factories at Tampa, Florida, the workers began agitating for community stores. They knew nothing of Rochdale principles, but had conceived the idea as a means of improving their economic position.

They started a small society in 1914 with a capital of only \$50. By 1917 there were seven of these small societies in West Tampa and Ybor City with a total membership of 450.

By 1919 there were 21 societies, with a total membership of 1500 and a total retail trade amounting to nearly \$70,000 a month.

Retailers in this region fought the cooperative societies with a boycott in which they forced all but one wholesaler to stop selling to cooperative stores. The societies combined loosely and with the aid of the local press succeeded in breaking the boycott. The result was

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an increase of membership to 1700.

Wholesale Societies

The successful operation of retail consumers' societies in the face of competition by private business men requires that the societies have their own wholesale societies as a source of supply.

The chief development of the past decade has been the formation of wholesale societies, particularly of those handling petroleum products.

Cooperative wholesaling has had a checkered career in the United States. It had a boom development immediately following the war and then a period of failure followed in which only a few well-managed wholesales survived.

The newer wholesales are proceeding cautiously, and are acting as jobber rather than wholesaler.

In 1929 there were 11 district wholesales and one national wholesale. The district wholesales had 918 local societies, and 4 of them were operating 50 retail branches. Six of the district wholesales were purchasing through the national wholesale. (1)

Improved economic conditions were reflected in the business operations of the regional wholesales in 1934. Sales were more than 50% larger than in the preceding year.

(1) The Reference Shelf, Vol. XI, No. 2: "Consumers' Cooperatives", The H. W. Wilson Company, New York, 1936, p. 133.

Students' Cooperative Societies

The oldest cooperative society in the United States today is the Harvard Cooperative Society of Harvard University, Cambridge, Massachusetts, organized in 1882. In volume of business it is second only to the Franklin Cooperative Creamery of Minneapolis, Minnesota.

Students at Harvard fifty years ago were forced to pay more for the things they bought than the people of Boston and Cambridge paid. As a result, Charles H. Kip, Class of '83, founded the Society.

Until 1907 the Society occupied quarters belonging to Harvard University. In that year it bought out and moved to the Lyceum Building, the site of its present home.

In 1915 a branch of the Society was opened opposite the buildings of the Massachusetts Institute of Technology. It has 9,100 members at the Harvard Square shop and 2600 at Massachusetts Institute of Technology.

The recent economic depression has stimulated the students' cooperative movement. All over the United States, especially in the western states, there has been growing up a strong campus cooperative movement.

In 1933 students at the University of Washington, who were struggling to continue their college careers, began a cooperative housing society. They succeeded in

cutting the cost of room and board to \$16 a month. The project, which started with one house, has grown to eight cooperative housing societies.

A similar movement was started at the University of Iowa in 1932 and by 1935 included ten cooperative houses. Savings of \$10 a month and up have been realized by the student members.

At the University of Michigan, students who found themselves unable to pay prevailing prices for board organized a cooperative cafeteria and reduced the cost of board from \$5 to \$2.50 per week.

Students at Martin Luther College, New Ulm, Minnesota, have a successful cooperative rooming house.

At the University of Idaho the university has sponsored four cooperative rooming houses with a cost to student members as low as \$6 to \$8 per month, which has made it possible for 200 students to remain at college.

Scattered throughout the colleges today are cooperative book stores, cafeterias, housing projects, and buying clubs. (1)

According to the New York Sunday Times for March 7, 1937 there are 73,232 college students enrolled in campus cooperatives, which do an annual business close to \$3,000,000. These student cooperative associations are

(1) Fowler, B. B., "Cooperation on the Campus;" weekly magazine section, Christian Science Monitor, Boston, August 21, 1935, p. 4.



now located on 159 campuses and include: fifty-five dormitories, twenty cafeterias, and thirty book stores. Most of this development has taken place in the last four years. (1)

The real significance of this movement is not the relief that cooperation has given to distressed students in time of depression, but the bearing that it may have on the future development of the cooperative movement in this country. These young people will be the leaders of tomorrow. If they have become imbued with the ideals of cooperation, they will carry the idea back to their communities and provide the impetus necessary for a development comparable to that in European countries.

Summary

While the results in consumers' cooperation are small in the United States as compared with the development in European countries, it is evident that cooperation is here to stay.

The period of experimentation and failure preceded the World War. This post-war period has been, though not spectacular, one of successes.

From the following table, which was taken from The Reference Shelf, Volume XI, Number 2, entitled "Consumers'

(1) "Cooperatives Band on 159 Campuses;" New York Sunday Times, New York, March 7, 1937, p. 6.

Cooperatives," it is apparent that most of the gain in recent years was in cooperative gasoline and oil associations and that only 14 retail stores date their existence later than 1925.

Distribution of Consumers' Cooperative Societies According
to Period in Which Established

Year in which estab- lished	Retail store societies	Distrib- utive dep'ts of mar- keting ass'ns	Gasoline and oil assoc- iations	Other types of soc- ieties	Total	
					Num- ber	%
1881-1885	2	--	--	--	2	0.4
1886-1890	1	--	--	--	1	.2
1891-1895	4	--	--	--	4	.8
1896-1900	3	--	--	--	3	.6
1901-1905	5	1	1	--	7	1.4
1906-1910	12	2	1	--	15	2.9
1911-1915	43	9	4	1	57	11.0
1916-1920	120	15	4	12	151	29.3
1921-1925	24	6	23	4	57	11.0
1926-1929	7	1	110	3	121	23.4
1930-1933	<u>7</u>	<u>1</u>	<u>83</u>	<u>7</u>	<u>98</u>	<u>19.0</u>
Total	228	35	226	27	516	100.0 (1)

The backbone of the consumers' cooperative movement in this country is in the Central and North Central States. Minnesota societies account for about one-fifth of the total sales of consumer societies.

Most of the success of the consumers' cooperative movement must be given to nationalistic elements. Most

(1) The Reference Shelf, vol. XI, No. 2, op. cit., p. 124.

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of the progress in Minnesota in the West as well as Massachusetts in the East has been made by the Finns. In the West we find that the Bohemians, Swedes, Belgians, Italians, and Slavs have been responsible for practically all the progress that cannot be attributed to the Finns. Development in and about New York City has been almost entirely among the Jewish element, while at Tampa, Florida, consumers' societies were developed by the Spanish element.

The success of the Eastern States Farmers' Exchange in competition on a basis of quality not price is a significant development in consumers' cooperation..

CHAPTER IV

COOPERATIVE CREDIT AND INSURANCE

Functions of the Credit Union

The credit union is another type of consumer cooperation which is rapidly spreading in the United States. Credit unions are organized under different statutes than distributive societies, and there is now a special credit union law in operation in most of the states. Credit unions are generally supervised by state banking departments.

Credit unions are more or less exclusive organizations. Most of them are formed among the employees of large industrial concerns, or among federal, state, and municipal employees.

The purpose of the credit union is to provide loan facilities for the average wage earner, who has no banking connections and no security to offer when in need of money. In times of stress he formerly had to depend on charity or "loan sharks."

The credit union does not compete with other banking facilities, it supplements them. Hence, it is opposed only by the short-term loan companies. It seeks to promote thrift and eliminate usury.

The Massachusetts Credit Union Law defines a credit union as: "a corporation formed for the purpose of

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1. The Journal of the American Medical Association, 1911, Vol. 10, No. 1, 1911, 1-100.
2. The Journal of the American Medical Association, 1911, Vol. 10, No. 1, 1911, 101-200.
3. The Journal of the American Medical Association, 1911, Vol. 10, No. 1, 1911, 201-300.
4. The Journal of the American Medical Association, 1911, Vol. 10, No. 1, 1911, 301-400.
5. The Journal of the American Medical Association, 1911, Vol. 10, No. 1, 1911, 401-500.
6. The Journal of the American Medical Association, 1911, Vol. 10, No. 1, 1911, 501-600.
7. The Journal of the American Medical Association, 1911, Vol. 10, No. 1, 1911, 601-700.
8. The Journal of the American Medical Association, 1911, Vol. 10, No. 1, 1911, 701-800.
9. The Journal of the American Medical Association, 1911, Vol. 10, No. 1, 1911, 801-900.
10. The Journal of the American Medical Association, 1911, Vol. 10, No. 1, 1911, 901-1000.

accumulating and investing savings of its members and making loans to them for provident purposes." (1)

According to Bergengren, credit unions seek to make depositors of millions who do not deposit and to make credit available for millions who now must have recourse to charity or usurer.

Historical Background of the Credit Union Movement

The Raiffersen System. Frederick William Henry Raiffersen (1818-1888), while mayor of Flammersfield, Germany, founded a credit society in 1849. The purpose of this organization was to loan money to the peasants in order that they might purchase livestock on the installment plan.

This movement was not truly cooperative as he secured the funds from well-to-do friends, who kept the control in their hands.

Another of these societies was founded at Heddeshof, Germany, in 1854, but again the fundamental cooperative principle of self-help was lacking.

In 1869 these societies were organized on a cooperative basis and the function of cooperative buying was added. Thus 1869 marks the real beginning of rural cooperative credit.

(1) Bergengren, R. F., Cooperative Banking, The Macmillan Company, New York, 1923, p. 3.

The following is a list of the names of the persons who have been appointed to the various committees of the Board of Directors of the American Red Cross Society, for the year 1917-1918.

- President: Mr. J. Edgar Hoover
- Vice-President: Mr. J. M. Smith
- Secretary: Mr. J. M. Smith
- Treasurer: Mr. J. M. Smith
- Committee on Finance: Mr. J. M. Smith, Mr. J. M. Smith, Mr. J. M. Smith
- Committee on Public Relations: Mr. J. M. Smith, Mr. J. M. Smith, Mr. J. M. Smith
- Committee on Education: Mr. J. M. Smith, Mr. J. M. Smith, Mr. J. M. Smith
- Committee on Medical Services: Mr. J. M. Smith, Mr. J. M. Smith, Mr. J. M. Smith
- Committee on Hospital Services: Mr. J. M. Smith, Mr. J. M. Smith, Mr. J. M. Smith
- Committee on Convalescent Services: Mr. J. M. Smith, Mr. J. M. Smith, Mr. J. M. Smith
- Committee on Sanitary Services: Mr. J. M. Smith, Mr. J. M. Smith, Mr. J. M. Smith
- Committee on Food Services: Mr. J. M. Smith, Mr. J. M. Smith, Mr. J. M. Smith
- Committee on Clothing Services: Mr. J. M. Smith, Mr. J. M. Smith, Mr. J. M. Smith
- Committee on Shelter Services: Mr. J. M. Smith, Mr. J. M. Smith, Mr. J. M. Smith
- Committee on Transportation Services: Mr. J. M. Smith, Mr. J. M. Smith, Mr. J. M. Smith
- Committee on Miscellaneous Services: Mr. J. M. Smith, Mr. J. M. Smith, Mr. J. M. Smith

By 1912 there were 17,000 of these societies with a membership of 1,700,000 members. (1)

The Schulze-Delitzsch System. Herman Schulze-Delitzsch, a member of the National Assembly, who had become interested in cooperation as a measure of relief for the poor during the stress of 1846-7, organized a credit society at Eilenburg, Germany, in 1850. (2)

By 1859 there were 183 of these societies with a membership of 18,676.

In 1860 he was elected president of a federation of these credit societies, and he devoted his full time to this position until his death in 1883.

The Schulze-Delitzsch system differed from the Raiffersen system in several ways. First, Schulze-Delitzsch believed in a large, mixed membership from an unrestricted area, while Raiffersen favored a small membership of one class of people, confined to an area of not more than 2,000 inhabitants. Second, Schulze-Delitzsch believed in the payment of as large a dividend as possible, while Raiffersen made no distribution of profits. Third, the aim of the Schulze-Delitzsch societies was materialistic, while the aim of the Raiffersen societies was humanitarian.

(1) Bergengren, R. F., op. cit., p. 46.

(2) Ibid., p. 47.

Credit unions in Canada. The first credit union in North America was founded in Canada by Alphonse Desjardines. In 1885, as a journalist, he became interested in the problems of usury, studied the experiments in Germany and other European countries for fifteen years, and in 1900 organized the first Canadian credit union at Levis, Quebec. (1)

He managed his own bank until his death in 1921. Since that time it has been managed by his son and in 1923 had assets of over \$1,000,000. Alphonse Desjardines became known as the "Raiffersen of Quebec," as he gave his life to the service of organizing the rural type of credit union throughout Canada.

Cooperative credit comes to the United States. Desjardines was also prominently associated with the beginning of the credit union movement in the United States. He organized the first society at Manchester, New Hampshire, in 1909. A special act was passed by the New Hampshire legislature, which followed the Canadian plan.

Massachusetts was the first state to enact a general law to permit the organization of credit unions. This law was passed in 1909 through the combined efforts of Pierce Jay, state commissioner of banking, and Edward A. Filene, a Boston merchant. Desjardines also came to Boston on invitation, and helped to draft the law. The

(1) Bergengren, R. F., op. cit., p. 50.

first Massachusetts credit union was established in 1910.

The Massachusetts and the New York laws follow the Schulze-Delitzsch plan and hence are of the urban type.

The North Carolina law came from a different source. In 1913 a presidential Commission investigated the types of credit unions in Europe with a view to finding a solution to agricultural credit problems in this country. Mr. John Sprunt Hill, a banker of Durham, North Carolina and a member of the Commission, stressed the value of the Raiffersen system.

As a result a credit union law was enacted in North Carolina, largely due to the efforts of Mr. Hill.

Credit union laws vary from state to state; no two are exactly alike. Massachusetts and New York follow the Schulze-Delitzsch system -- urban societies; New Hampshire followed the Quebec plan; while most of the other states are of the urban type and follow the Raiffersen plan.

Credit Union Development in the United States

Massachusetts. In 1910 there was only one credit union with 105 members, assets \$2,448.50. By 1914 there were 47 unions, with a membership of 6,149, assets of \$279,358 and loans of \$224,360. By 1929 Massachusetts led all states in number of unions with a total of 299.

New York. The credit union law was passed in this state in 1913. The law was drafted by Arthur H. Ham of the Russell Sage Foundation. It is of present interest to note that Franklin D. Roosevelt, a state senator, had previously introduced a bill to permit rural credit unions only, but withdrew his bill in favor of the one drafted by the foundation.

The credit union movement in New York state has lacked the propaganda and direction that made it successful in Europe, Canada, and Massachusetts. However, in spite of these handicaps, New York has passed Massachusetts in both assets and membership.

By 1921 there were 82 credit unions in New York state, and by 1929 there were 125.

One criticism of the New York movement is the tendency to lose sight of service in the eagerness to make large profits by charging high rates of interest.

Rhode Island. This state passed an excellent credit union law in 1914 but without any provision for propaganda. As a result the development has been retarded.

Until 1920 the Central Falls Credit Union was the only one in the state. The employees of the New England Telephone and Telegraph Company organized one in 1920 and by 1921 had 654 members and assets of \$18,750.10.

New Hampshire. As previously stated, the first credit union in the country was organized at Manchester, New

Hampshire in 1909. In point of assets it was the largest in the country in 1923.

New Hampshire passed an excellent general credit union law in 1921, but failed to provide propaganda and organization provisions.

Telephone workers were the first to make use of the new law, and in 1922 their union had a membership of 326, with assets of nearly \$10,000.

North Carolina. The acuteness of the rural credit problem attracted a great deal of attention to this law, but, unlike the stronger urban societies in other states, the North Carolina unions have had great difficulty in surviving the era of speculation after the World War.

Some of the unions are made up of whites and some are entirely composed of negroes. Most of them have lacked skilled management, and state supervision has lagged badly. The fluctuations in the price of cotton have seriously affected these credit unions. The system has survived, but 11 out of 33 unions failed in two difficult years.

Other states. Utah enacted a law in 1915 which was not workable. It was a credit union law in name only. The organization provisions were so stringent that it could not be taken advantage of by people who must save in small amounts. No use had been made of it up to 1923.

South Carolina passed a credit union law in 1915,

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but also omitted the essential provision for propaganda and organization. Such provisions are a necessity in a state where the law is to be utilized by farmers in sparsely settled districts.

Maine had no general law up to 1923. A special act was passed in 1921 to allow the employees of the telephone company to form a credit union. Their union has done extremely well.

Wisconsin enacted a model law in 1913, but no effort had been made to use it up to 1923.

The greatest discouragement in credit union development has been in the states of Texas, Oregon, and Nebraska where ineffective laws were passed.

Laws have also been passed in several other states but with little development to date.

The federal credit union law. Since the passage of a federal credit union law in 1934 the number of credit unions in the United States has increased from 1,772 in 1933 to 2,589 in 1935.

For 1935 credit unions with federal charters totaled 467, membership was 74,477 and resources \$1,541,902. (1)

Summary of Credit Union Development

In spite of the handicap of ineffective state laws, credit to the amount of more than \$28,000,000 was

(1) Monthly Labor Review Volume 43, No. 6, "Operations of Credit Societies in 1935," Dec. 1936, pp. 1422-1426.

available to members of cooperative credit societies in the United States in 1933. (1)

Membership increased from 1925 to 1933 from about 100,000 to nearly 360,000. The largest society had 12,000 members. The total resources of these societies were \$35,496,668 at the end of 1933. (2)

The expenses of operation of credit unions were very low, 2.21% in terms of loans granted. They have very few paid employees and other expenses are small. Quarters are usually provided by the concern or institution which sponsors the credit union.

The record of credit unions as regards bad debts is remarkable. Even in the depression years of 1933, only 158 societies had any uncollectable debts and these amounted to \$66,663, which was four-fifths of 1% of their loans during the year. Figured on the basis of all societies reporting, the losses were less than one-fourth of 1%. (3)

The great majority of state credit union laws fix the maximum rate of interest that may be charged on loans. The rate varies from $\frac{1}{2}$ % a month to 1% a month.

(1) The Reference Shelf, Vol. XI, No. 2, op. cit., p. 142.

(2) Ibid., p. 144.

(3) Ibid., p. 144.

Much of the success of the credit union development in Massachusetts is due to the inspiration and financial aid of Edward A. Filene.

In New England the movement has fortunately had the support of many prominent industrialists and business men. These include Howard Coonley, president of the Welworth Manufacturing Company, Matt B. Jones, president of the New England Telephone and Telegraph Company, and Henry S. Dennison of the Dennison Company.

Massachusetts has a credit union league which has given impetus to the development.

Recent promotion of the organization of credit unions in American Legion posts and among government employees assures a large growth in the next few years.

There seems to be no question as to the permanence of this type of cooperative enterprise in the United States. It receives cooperation rather than opposition from private business, for it in no way competes with it. It is not opposed by banking interests. The only opposition comes from the small loan companies, who have public sentiment against them on account of the general antagonism toward the "loan shark" variety.

Building and Loan Associations

A building and loan association is that form of cooperative savings institution the funds of which are invested

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principally in long-time loans on real estate security. (1)
Most of them are mutual savings institutions and most of
them loan on homes only.

Money is accumulated to loan by the systematic
deposits of members, who are purchasing shares on the
installment plan.

Loans are made to other members, who are required
to purchase, on the installment plan, a number of shares
sufficient to amortize the loan in a given number of
years.

All members receive interest on their shares. The
rate of interest paid each year is dependent on the earn-
ings of the association.

The various names used for these building and loan
associations are as follows:

Building and Loan Association (used in 47 states)

Savings and Loan Associations (used in 29 states)

Building Association (used in 15 states)

Loan and Building Association (used in 14 states)

Building Loan and Savings Association (used in 14
states)

Building and Savings Association (used in 10 states)

Savings Loan and Building Association (used in 10
states)

(1) Clark and Chase, Elements of the Modern Building
and Loan Associations, The Macmillan Company, New York,
1927, p. 7.

Cooperative Banks (used in Massachusetts)

Homestead Associations (used in Louisiana) (1)

The credit union and the building and loan associations have much in common. They both have a democratic form of organization; both appeal to the small saver; and both systems encourage small savings through an installment share plan.

Building and loan associations specialize in investments in mortgages and endeavor to stimulate thrift and assist members to buy and build homes.

They differ in that they are not concerned with specific groups of people and have larger possibilities of development than credit unions. The credit union provides the wage earner with small loans for emergency needs, the building and loan association with larger loans for the purchase of homes.

In 1921 building and loan associations had a membership of 5,809,888 and total assets of \$2,890,764,621. (2) According to the World Almanac of 1935 membership had increased to 9,224,105 and assets to \$6,977,531,676. (3)

(1) Chase and Clark, op. cit., p. 13.

(2) Bergengren, R. F., op. cit., p. 236.

(3) The World Almanac of 1935, New York World-Telegram, p. 405.

Federal Savings and Loan Associations

In the Home Owners' loan Act of June 1934, Congress authorized the Federal Home Loan Bank Board to charter and supervise Federal savings and loan associations. It also authorized the Board, with consent of the State affected, to convert to Federal charter such eligible State-chartered savings and loan associations as might desire it. (1)

These associations are cooperative enterprises in that they are local mutual thrift associations. They are modeled on the best features of building and loan associations and mutual savings banks.

By July 31, 1936, less than three years after the chartering of the first Federal association, the number had grown to 1165, of which 520 had been converted from State charter and 645 were newly organized associations. (2)

(1) "Safeguarding the Nation's Homes."
Federal Home Loan Bank Board, Washington, D. C.,
p. 23.

(2) Ibid., p. 24.

Mutual Savings Banks

Another cooperative institution that has had a remarkable development in the United States is the mutual savings bank. Like the cooperative bank, it is not a self-conscious cooperative movement, but it is fundamentally a non-profit, cooperative enterprise.

The ownership in a mutual savings bank is democratic in that all depositors are owners and that the net surplus is shared by the depositors in the form of interest on their deposits. There are no stockholders -- the depositors are the owners.

The fact that mutual savings banks are not democratically controlled prevents them from being considered truly cooperative. Most of the depositors have no voice in the management of a mutual savings bank. Such a bank is controlled by a Board of Trustees. The original board is appointed by the organizers and later additional trustees are either elected by the board itself or by a larger group of depositors, known as the corporators. The latter plan is followed in Massachusetts. In either case the board is a self-perpetuating body. In Massachusetts the corporators are chosen from the depositors by the Board of Trustees, hence, only the depositors who are selected by the trustees may participate in the management.

The mutual type was the original bank for savings and the first was organized in England in 1810. Similar banks were established in New England and New York during the early half of the nineteenth century, but the movement up to 1925 had not extended beyond the Northeastern states. (1)

In June 1934 there were 594 mutual savings banks operating in 18 states, whose depositors numbered 13,686,947 and deposits aggregated \$9,720,377,072. (2)

Mutual savings banking in Massachusetts has had an enviable record. Only two of these banks have failed in 100 years. All savings banks in Massachusetts are mutual savings banks.

A number of Massachusetts mutual savings banks sell life insurance to residents of the state at rates substantially lower than those of the insurance companies. The law making savings bank insurance possible in the state was passed in 1917 under the sponsorship of Louis D. Brandeis, now a member of the Supreme Court of the United States.

The significant thing about mutual savings banking in the United States is that so much success has been

(1) Willis and Edwards, Banking and Business, Harper and Brothers, New York, 1925, pp. 310-311.

(2) World Almanac of 1935, op. cit., p.534.

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attained in the banking business without the profit motive.

Mutual Insurance Companies

Mutual insurance companies are related to the cooperative movement by the fact that they are non-profit organizations. Also they pay out of their surplus rebates, called dividends, to their members. These dividends are certain percentages of the premiums paid by the members during the previous year.

But the relationship to the true cooperative movement is very slight. Democratic control is practically non-existent. Policyholding members do have the right to elect the Board of Directors at the annual meeting, but, in reality, most of the voting is done by proxy -- a system which makes it possible for the board to be self-perpetuating. Voting by proxy is contrary to cooperative principles.

While these companies are supposed to be non-profit organizations, nevertheless, these self-perpetuating directors are able to elect themselves officers and vote themselves exceptionally high salaries -- another method of securing profits.

Mutual insurance companies are organized to sell practically all forms of insurance, and do make it possible for millions of purchasers of insurance to save substantial

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sums of money on their insurance bills. These same purchasers or policyholders are also liable to make up losses of mutual companies that fail, but on the whole there are few failures.

In spite of their cooperative features of non-profit and of rebates, mutual insurance companies are hardly a part of the cooperative movement. For that reason no statistics on mutual insurance companies are given in this thesis.

Insurance by Consumers' Societies.

It is very difficult to conduct a mutual insurance company in such a manner that its control would be really democratic as is evident in the previous section, devoted to mutual insurance companies.

The consumer cooperatives in England and some other European countries have solved this problem by adding insurance service to those services performed by their wholesales. (1)

Here in the United States, special cooperative insurance associations are being formed by consumers' societies with individual policyholders and fixed premiums. (2) If these insurance associations are able to

(1) Alanne, V. S., op. cit., p. 80.

(2) Ibid., p. 81.

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maintain democratic control, they will be allowed to continue as separate organizations. If not, the regional federation of consumer cooperatives will take them over and operate them as departments. (1)

By 1933 the seven consumers' cooperative insurance associations in the United States reported more than 100,000 policyholders. (2)

Of the seven associations, three write fire insurance (one on farm property only, and one on furniture and houses), and three write life insurance (two of these also write health and accident insurance). (3)

Summary

Credit unions are considered to be the fastest growing cooperative program in the United States. This is due to the fact that they supplement rather than compete with capitalistic banking, and thus have the support rather than opposition of private business. Also, it is due in part to the impetus given by the passage of the federal credit union law. The credit union is the one truly self-conscious, cooperative credit movement in the

(1) Alanne, V. S., op. cit., p. 81.

(2) The Reference Shelf, Vol. XI, No. 2, op. cit., p. 140.

(3) Ibid., p. 140.

United States.

Building and loan associations (called cooperative banks in Massachusetts) have much in common with the credit unions, but are not self-conscious cooperative organizations. Their directors usually consist of prominent business and professional men, who, while animated by a spirit of social service do not consider themselves identified with the cooperative movement. In fact, their chief interest in promoting these associations is the maintenance of a safe and profitable place to invest their own savings. These associations have been very successful in promoting thrift and in assisting in the purchase of homes.

Mutual savings banks and mutual insurance companies, as non-profit organizations, are related to the cooperative movement. However, their lack of democratic control makes the relationship remote. As business enterprises their success is unquestionable.

Insurance by consumers' societies is definitely a part of the cooperative movement. They are still in their infancy and, as yet, their position is not assured.

CHAPTER V

COOPERATIVE MARKETING

Cooperative Efforts of Manufacturers

The severe competition which accompanied the change from a seller's market to a buyer's market following the World War, led to a number of developments designed to reduce the cost of distribution or to increase the effectiveness of selling with a view to profitable operation by manufacturers and merchants. (1)

These cooperative efforts have been made by trade associations and by independent groups of competing and non-competing manufacturers outside the scope of trade association activities.

Trade associations. A form of cooperative organization that has become very important in recent years is the trade association. The trade association may be defined as a non-profit organization of competing business concerns formed for the purpose of furthering the interests of its members or the trade as a whole. (2)

An estimate made a few years ago placed the number

(1) Cooperative Marketing Activities in Business, a report of the Policyholders Service Bureau, Metropolitan Life Insurance Company, New York, p. 5.

(2) Converse, P. D., The Elements of Marketing, Prentice-Hall, Inc., New York, 1931, p. 707.

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of trade associations in the United States at 3,500, of which 1,000 were important. (1) There are today associations of manufacturers, wholesalers, mine operators, brokers, retailers, railroads, undertakers, and warehouse men. The membership varies from 4 to 60,000. (2)

Some of the principal activities of trade associations are: education of members, compilation of trade statistics, exchange of price data among members, employee relationships, research work, cooperative advertising and sales promotion, gathering and exchange of credit information, making collections, influencing legislation, standardization and simplification of products, cooperative buying, and adoption of uniform systems of accounting. (3)

Among manufacturers, sales promotion, statistics, and employee relations seem to be the major activities.

A large part of the activities of most trade associations has to do with some phase of marketing, which includes standardization of products, adoption of uniform sales contracts, cooperation of credit departments, advertising products, gathering market information, and the fixing of prices. The last named is carried on in

(1) Converse, P. D., *op. cit.*, p. 708.

(2) *Ibid.*, p. 708.

(3) *Ibid.*, p. 709.

spite of prohibition by federal anti-trust laws.

Since 1926 the Division of Trade-Practice Conference, established by the Federal Trade Commission, has cooperated with industry to protect the public from unfair methods of competition and to raise the standards of business practices. (1)

The trade practice conference affords a means whereby representatives of an industry may voluntarily assemble under the auspices of the Federal Trade Commission, consider prevailing unfair trade practices, and agree on and provide for their abandonment.

Since the inauguration of this plan, trade practice conferences have been held for more than 170 industries. (2)

Standardization and simplification of products is highly desirable both from the trade and the social points of view. It means the elimination of waste. Herbert Hoover, while serving as Secretary of Commerce, stimulated and gave direction to this effort.

The manufacturers of farm implements, for example, have done much to simplify the sizes, styles, and equipment of various implements. (3)

In the matter of research large corporations often can conduct it economically through their own departments,

(1) "Annual Report of the Federal Trade Commission for the Fiscal year Ended June 30, 1936: U. S. Gov't. Printing Office, Wash. D.C., pp.97-101

(2) Ibid., pp. 97-101

(3) Converse, P. D., op. cit., p. 712.



but small concerns find the expense of maintaining research departments prohibitive. The desire to secure the benefits of modern research has also led to mergers and the creation of holding companies.

Research work may be concerned with production, packing, shipping, or selling, and may involve chemistry, physics, bacteriology, psychology, or economics.

Sales promotion by trade associations is best exemplified by advertising campaigns to increase the sales of the products of the trade as a whole. Cooperative advertising is usually cheaper than separate advertising by each member, and it makes possible the conduct of it

on a national scale, the cost of which would be prohibitive for an individual concern. Such advertising promotes the sale of products like canned foods, plate glass, paint, but it does not promote the sale of any individual's products over those of his competitors.

Cooperation on credit consists in the gathering of information as to the credit rating of buyers, and decreases the losses due to uncollectable accounts. Individual members usually have their own credit departments, which cooperate in the exchange of credit information.

Under the present laws, practically any kind of price agreement among competitors is illegal. In spite of these laws, price fixing is carried on in secret or by some indirect method. It is legal to gather information in regard to prices charged by competing concerns, and this information can be disseminated without violating the anti-trust laws.

Trade associations can do much in the matter of cooperative effort that is beneficial and commendable. The trouble is that many pay too little attention to the legitimate and desirable, and engage chiefly in price-fixing agreements that are illegal and anti-social. The National Industrial Recovery Act attempted to legalize price-fixing agreements, which, many believe, retarded rather than stimulated business recovery.

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Cooperation by independent groups of competing concerns. A newer form of cooperation by manufacturers has been the pooling of marketing activities, both by competing and non-competing concerns. This has been accomplished without mergers, holding companies, or trade associations. In fact, many manufacturers have resorted to the method of pooling to enable them to compete more effectively with the merger and chain movements.

Group cooperation by competing manufacturers includes similar activities to those carried on by trade associations.

Cooperative advertising is often carried on by a group of competing manufacturers to restore prestige. Some years ago the prestige of Cincinnati as a shoe manufacturing center suffered a severe decline due to a labor strike and the competitive methods employed. (1) A cooperative advertising campaign was agreed upon by a committee representing the shoe manufacturers and allied industries in the Cincinnati district. The campaign is understood to have helped restore the standing of Cincinnati as a shoe manufacturing center. (2)

Joint advertising has also been carried on by small

(1) Cooperative Marketing Activities in Business, op. cit., p. 9.

(2) Ibid., p. 9.

manufacturers to make possible national advertising. Successful examples are the advertising programs of the Pennsylvania State Institute and the Associated Curled Hair Industries. (1)

Collective advertising was carried on to develop new uses for products by a group of chemical companies. This campaign was launched in the Literary Digest to educate taxpayers to the use of calcium chloride in allaying dust on private and public roads.

Although most group marketing activities are concerned with advertising and sales promotion, there are a number of cases in which manufacturers have cooperated primarily to do research work. One example is that of the Electric Steel Founders Research Group. (2) Five producers of small and medium-sized high-grade steel castings pooled their research activities in the preparation of circulars to users and prospective users of steel castings.

Similar group research programs have been carried on by silk manufacturers. This program standardized the production of spun silk, and later formed the basis of a cooperative advertising program.

Pooled advertising has been successfully promoted

(1) Cooperative Marketing Activities in Business, op. cit., p. 10.

(2) Ibid., p. 11.

by manufacturers of linen, soap, candy, etc.

Manufacturers have also joined in selling identical products under a common label.

Concrete block manufacturers in Milwaukee, Wisconsin, formed a central marketing organization, which resulted in economies through the elimination of individual selling. This plan necessitated the assigning of a quota to each manufacturer.

Cooperative efforts by non-competing concerns. The group of marketing activities of non-competing manufacturers covers as broad a range as when competitors are associated.

The most common arrangement is that of reciprocal publicity and merchandising. There have been in the past and are today numerous cases in which manufacturers in non-competing lines mention the name of the other company in their advertising. Such activity is limited to cases where the products of two manufacturers are commonly used together.

The Excelsior Brewing Company and the Loose-Wiles Biscuit Company carried on reciprocal advertising. The Cellophane Division of the E. I. DuPont de Nemours Company has entered into reciprocal publicity arrangements with a number of manufacturers using Dupont cellophane. (1)

Reciprocal advertising arrangements have also been

(1) Cooperative Marketing Activities in Business, op. cit., p. 19.

made between manufacturers of kitchen equipment and food products, peach canners and a cereal manufacturer, and others too numerous to mention.

Other forms of cooperative marketing activities by non-competing manufacturers include: joint direct mailing, cooperative distribution, consolidation of sales organizations, and pooled selling arrangements.

Cooperative Efforts of Retailers

The keen competition of the post-war period has also forced competing retailers to cooperate. Their collective marketing activities have varied from spasmodic advertising to the operation of common delivery services.

Joint advertising has been carried on by local radio dealers, local coal dealers, etc.

Furniture dealers have been known to cooperate in merchandise research.

Retail coal dealers in Buffalo, New York, organized their own wholesale to combat competition of wholesale coal companies that had opened retail branches.

Cooperative delivery service by retailers is a common arrangement in New York, Boston, and other large cities. Department stores have found delivery expense to be a large factor in the high cost of marketing.

Automobile tire manufacturers, who maintain branch distributing agencies in New York City, inaugurated a joint delivery service several years ago. Duplicate mileage and double stops were eliminated and the same good delivery service maintained by all participants. Savings as high as 50% have been claimed by some of these companies.

Another significant example of cooperation by retailers is the voluntary cooperative chain. The Federal Trade Commission defines cooperative chains as follows: "A cooperative chain is an association of independent retailers acting cooperatively either by themselves or with a wholesaler to obtain advantages in buying, advertising, or in the performance of other merchandising functions or activities." (1)

802 groups involving 107,141 retailers reported. (2)

This type of cooperation has been developed jointly by independent retailers and wholesalers to enable them to compete more effectively with chain store organizations.

Cooperative Marketing Among Farmers

The cooperative marketing activities of manufacturers and retailers can hardly be considered a part of the revolutionary cooperative movement. They were reviewed as the scope of this thesis has not been limited to consumers'

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- (1) "Cooperative Chains," a pamphlet issued by the Bureau of Foreign and Domestic Commerce, U. S. Dep't of Commerce, Washington, D. C., March 1936, p. 1.
(2) Ibid., p. 6.



cooperation. Neither can the cooperative marketing activities of farmers be identified as cooperation in a revolutionary sense.

All these are capitalistic in that they are carried on by profit seekers. However, cooperative marketing by farmers is often associated with the Cooperative Movement, though leaders of the consumers' cooperative movement generally admit that the interests of the two groups are opposed. Cooperative consumers seek lower prices through the elimination of profits, while farmers' cooperatives seek a profit by means of higher prices.

The farm problem. During the World War the production of foodstuffs was stimulated to an abnormal degree. The

farmers over-expanded by bringing into cultivation idle land. In many cases they purchased additional acreage by placing additional mortgages on their farms.

When the World War ended, the abnormal demand for farm products no longer existed, prices of farm products fell, and the farmers found themselves burdened with fixed interest charges.

In agriculture, as in industry, distribution has not kept pace with production, yet farmers have kept on producing with little concern over the disposition of their products.

In recent years farmers have come to realize that, as individuals, they lack bargaining power in selling their crops. Collective selling seemed to offer a partial solution to their problem.

Origin of farm cooperation. The Grange (Patrons of Husbandry) was among the earlier organizations that were instrumental in starting cooperative enterprises among farmers. From 1869 to 1876, the granges started many cooperative enterprises among farmers. such as purchasing agencies, stores, grain elevators, creameries, grist mills, factories, banks, and insurance companies. (1) The purchasing agencies and stores organized in this early

(1) Converse, P. D., op., cit., p. 159.

movement generally failed, but some of the creameries, grain elevators, and live stock shipping associations succeeded. (1)

Other social organizations and state and federal government bureaus have aided in the promotion of farmers' cooperative organizations, and the growth has been rapid since 1905. (2) Growth has been very rapid since 1915.

The organizations that have succeeded have been those organized to meet a real need and when there has been good management. The origin of the California Fruit Growers Exchange illustrates how poor marketing conditions led to the development of farm cooperative marketing. Prior to the organization of cooperative marketing enterprises, the California orange growers either sold their crops to local buyers or consigned them to eastern commission merchants. Lack of accurate information as to the supply of oranges in eastern markets often resulted in shipment of oranges at a time when the market was glutted with a resultant loss. Many growers failed to receive enough for their fruit to cover the cost of production. It was such conditions as these that led the growers to organize.

The object of these selling organizations is to

(1) Converse, P. D., op. cit., p. 160.

(2) Ibid., p. 160.

secure higher prices for the farmers' products and develop more dependable outlets for them. To secure these ends they may take over and operate a part of the marketing process and try to increase its efficiency. This often involves advertising, publicity, a study of market conditions, the storing of surpluses, improving the quality and grading.

Fruit and vegetables. The California Fruit Growers Exchange works with 2,500 jobbers and 300,000 retailers in order to increase the consumption of California fruit. (1) It has carried on national advertising, sales promotion, and has introduced the Sunkist electric juice extractor for use at soda fountains. Sales increased from the very beginning of the organization. A very rapid increase in business took place from 1922 to 1927 when sales rose from \$55,000,000 to \$85,000,000. (2) This association grades, packs, and ships oranges, grapefruit, and lemons.

Other successful cooperative marketing associations of fruit growers include: The Florida Citrus Fruit Exchange, California Prune and Apricot Growers Association, Sun Maid Raisin Growers (California), and the American Cranberry Exchange. (3)

(1) Converse, P. D., op. cit., p. 163.

(2) Recent Economic Changes in the United States, the report of the Committee on Recent Economic Changes, of the President's Conference on Unemployment, McGraw-Hill Book Company, Inc., New York, 1929, p. 379.

(3) *Ibid.*, pp. 379-380.

Most of the associations for marketing vegetables are much smaller than those for marketing fruit.

The Eastern Shore of Virginia Produce Exchange handles from 70% to 80% of the business in the district covered. (1)

Large-scale cooperative marketing has been attempted by potato growers without much success. The bumper crop of 1925 resulted in the failure of the Maine Potato Growers Exchange. Potato associations in Colorado and Michigan have been more successful. (2)

Dairy products. Dairy farmers are more extensively organized than any other agricultural group. In fact, cooperative creameries is one of the most successful fields of cooperative activity. (3) In 1928 cooperative dairy associations handled one-third of the creamery butter and cheese manufactured in the United States and two-fifths of the fluid milk sold to urban customers. (4) In 1929 there were 2,479 dairy associations with 600,000 members and a total business of \$640,000,000. (5)

The cooperative creameries have tended to federate. (6)

(1) Recent Economic Changes in the United States, op. cit., p. 380.

(2) Ibid., pp. 380-381.

(3) Fox, R. M., The Cooperative Marketing of Agricultural Products, master's thesis, C. B. A. Library, Boston University, 1930, p. 13.

(4) Ibid., p. 13.

(5) Ibid., p. 13.

(6) Ibid., p. 18.

The Land o' Lakes Creameries, Inc. of Minneapolis, Minnesota, manufactures and markets butter of 465 creameries. It sells chiefly to chain stores under the brand name, "Land o' Lakes."

Another, The Challenge Cream and Butter Association, Los Angeles, California, includes 15 cooperative creameries, and operates 200 trucks to deliver butter, cheese, eggs, and condensed milk to retail stores.

The Chicago Equity Union Exchange does an exclusively wholesale butter business, and ships in car lots only.

Fluid milk is sold by two kinds of cooperative marketing associations. One type, bargaining associations, does not engage in commercial transactions, while the other, operating associations, assembles, processes, and delivers milk to retailers and consumers. In 1927 about 60% of the milk was marketed cooperatively under the control of bargaining associations and 40% under operating associations. (1)

One of the large milk associations is the Dairymen's League Cooperative Association, which furnishes milk at wholesale for Metropolitan New York. Their association engages in the manufacture of surplus milk into by-products.

(1) Recent Economic Changes in the United States, op. cit., p. 376.

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The Twin City Milk Producers Association of St. Paul, Minnesota, also manufactures surplus milk into butter, cheese, milk powder, condensed milk, ice cream, and casein. (1)

In several other districts also, cooperative milk associations have been successful in stabilizing the fluid milk business. In others, such as Boston, the problem of surplus has not been satisfactorily solved.

Grain. There are more farmers' cooperative associations in the grain trade than in any other trade, and their sales constitute the largest volume among the cooperative groups. (2)

In 1926 the total cooperative sales of wheat were estimated to amount to 40% of the total wheat produced in the United States. It has been estimated that in the same year cooperative associations handled 26.3% of corn, 35.9% of oats, 20.8% of rye, 29.5% of barley, 46.5% of flax, and for all grains about 33%. (3)

Livestock. In the livestock trade there are two chief types of associations: one, the local cooperative shipping association; and the other, the terminal cooperative sales agency. (4)

(1) Recent Economic Changes in the United States, op. cit., p. 376.

(2) Ibid., p. 381.

(3) Ibid., p. 381.

(4) Ibid., p. 383.

During the last few years there has also been considerable direct selling and shipping of hogs to packers by local associations.

These livestock marketing associations have found various means of improving the marketing methods in their industry.

Cotton. The number of cotton cooperative marketing associations is much smaller than in the grain, dairy, livestock, and fruit and vegetable trade.

Since 1920 the small local associations of cotton growers have been supplanted largely by large-scale associations, usually organized by states. Many of the large-scale associations are federated under the name of the American Cotton Growers' Exchange.

However, these large-scale associations declined from 1922 to 1927. Their attention was focused on higher prices and little economic improvement was effected.

Wool. The number of cooperative marketing wool associations is relatively small. Some of the existing associations classify, grade, finance, sort, scour, and sell the wool for their members.

A national wool marketing association went out of business in 1924 as a result of over-advances to members on wool in 1920. (1)

(1) Recent Economic Changes in the United States, op. cit., p.383.

Tobacco. One of the largest and most successful of the cooperative associations of tobacco growers is the Burley Tobacco Growers' Cooperative Association, which was organized in 1921.

The North Wisconsin Tobacco Pool and the Connecticut Valley Tobacco Association were organized in 1922. The latter disbanded in 1927.

Tobacco cooperative marketing associations have not been generally successful. Most of them have been unable to solve the problem of surplus. Also they have endeavored to maintain higher prices than the market would stand. On the whole, efficient management has been lacking.

Summary. Those large cooperative associations which have been chiefly concerned with holding back surplus crops for higher prices have had little success.

Success has been attained when the associations have been able to effect real economies in distribution, or where they have improved the methods of merchandising with avoidance of over-production.

Farmers' cooperative purchasing associations. Cooperative associations for the purchase of farm supplies have been in existence for many years. One now in existence was started at Riverhead, New York, in 1863; another in Kansas in 1872.

These associations are often classed as consumers' societies as they are buying organizations. However, they do not purchase consumer goods, but products to be used in farm production -- producers' goods. For that reason they are considered as marketing organizations.

They have enjoyed a very rapid growth from 82 in 1905 to 1,906 in 1935. They had 790,000 members and did a business of \$187,000,000 in 1935. (1)

Cooperative purchasing organizations have tended to develop on a large scale. The largest include:

<u>Year started</u>	<u>Name of organization</u>	<u>Members</u>	<u>Annual business</u>
1920	Cooperative Grange League Federation	100,000	\$24,000,000
1918	Eastern States Farmers' Exchange	50,000	\$12,000,000
1922	Southern States Cooperative, Inc.	_____	\$ 5,000,000 (2.)

The growing use of the automobile and tractor has made a corresponding growth in the cooperative purchasing of gasoline and oil by farmers. In 1934 there were listed 644 cooperative oil associations with a total business of \$32,000,000. (3)

(1) Monthly Labor Review, vol. 43, No. 3, op. cit, p. 596.

(2) Monthly Labor Review, Vol. 42, No. 2, "Cooperative Purchasing by Farmers in the United States," Feb. 1936, p. 365.

(3) Ibid., p. 365.

Cooperative purchasing is also a side-line with many cooperative marketing associations. The Land o' Lakes Creameries, Inc. did a business in 1934 of over \$2,000,000 in the purchase and sale of feed, creamery machinery and supplies. (1)

(1) Monthly Labor Review, Vol. 42, No. 2, op. cit., p. 365.

CHAPTER VI

PRODUCERS' COOPERATION

Origin

A producers' cooperative is a group of workers who have organized to own and operate a business. The type of cooperation is one of the oldest forms known. It dates back to the self-governing work shops of England founded by Robert Owen and the Christian Socialists in the late seventies.

Early Communistic Societies

Religious societies. Many of the communistic colonies organized in the United States in the late seventies and early eighties were promoted by religious organizations. They were formed more for religious than for economic reasons, but their productive activities were on a cooperative basis.

While most of these colonists earned their living on farms, a few operated factories collectively. Those of American origin included the Shakers, who established colonies, beginning in 1787, from Maine to Kentucky. Some of these colonies have survived for more than a century. The Shakers are celibates, and therefore their continued

existence depended upon their ability to make converts. This they have failed to do in recent years, and consequently the Shaker communities have died out very rapidly. One of the last to survive is the one near Poland, Maine.

The Perfectionists of Oneida, New York, operated factories on a communistic basis from 1848 to 1879. These industries include a silver factory that manufactures the famous "Community Plate" silver ware. They are now capitalistic organizations.

Those of foreign origin included the Bishop Hill Colony in Illinois (1846-1862), a Swedish colony; the Rappists in Pennsylvania, a German colony; the Separatists of Zoar, Ohio (1818-1898); and the Amana Society in Iowa. (1)

Non-religious societies. Robert Owen came to America in 1822 for the purpose of establishing an ideal colony. In 1825 he purchased the property at New Harmony, Indiana, that had been occupied by the Harmonists. This colony lasted only two years. It was made up of idealists who were more in the habit of talking about their theories of society than of working to produce wealth. (2)

(1) Carver and Carmichael, Elementary Economics, Ginn and Company, Boston, 1929, pp. 508-510.

(2) Ibid., p. 512.

The writings of a French communist, Fourier, began to create enthusiasm in this country about 1841, and resulted in a large number of experiments. The most notable was Brook Farm, Massachusetts. Some of the most notable writers and scholars of that day joined the Brook Farm Community. (1) It lasted only six years.

The most successful of the non-religious colonies were those of the Icarians. Their colony at Icaria, Iowa, lasted from 1860 to 1895. (2)

Cooperative Production by Workers

After a hundred years of experimenting, history shows that when a group of workers organize and own and operate their own factory they seldom succeed.

The history of the self-governing work shops in England of Owen and the Christian Socialists bears this out. History has repeated itself in the United States. From 1845 to the present time, such organizations have come and gone.

The Workingmen's Protective Union, the Sovereigns of Industry, the Patrons of Husbandry, and the Knights of Labor all organized cooperative productive enterprises, and they all failed.

(1) Carver and Carmichael, op. cit., p. 512.

(2) Ibid., p. 513.

One of three things has happened to practically all of the productive enterprises owned and operated by workers: (1) they fail, or (2) if they succeed, they become capitalistic enterprises, or (3) they are taken over and operated by consumers' cooperatives.

Of those that have succeeded and have become capitalistic enterprises are numbered: The Cooperative Stove Works, Troy, New York and the Cooperative Foundry, Rochester, New York. (1) A similar history followed cigar and glove factories.

Business owned and operated by workers forms a very small part of the cooperative movement in the United States today. At the end of 1933 only 18 of these societies existed.

Workers' societies are handicapped by (1) lack of business experience, (2) a lack of knowledge of salesmanship and market conditions, and (3) a lack of adequate capital.

Production by Consumer Societies

The Cooperative League of America believes that producers' cooperation is generally successful when engaged

(1) Williamson, T. R., Readings in Economics, D. C. Heath and Company, Boston, 1923, pp. 306-307.

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in by consumers' societies, and when the product is intended, not for the general market, but for the exclusive use of members of these consumers' societies. (1)

The history of cooperative production in Europe seems to bear out this contention. Cooperative production by workers' societies was a series of failures, but the cooperative wholesales of England, Sweden, and other European countries have operated numerous factories with great success.

Cooperative production by workers has also failed in this country, but production by consumer societies is still in its infancy in the United States.

Cooperative production by consumers has been extremely limited in the United States. The little done in manufacturing has been carried on by the wholesale societies.

The first attempt at cooperative production by local consumers' societies was made in 1933, when a group of local societies in the Mesaba Range district of Minnesota formed the Mesaba Range Cooperative Federation. It now operates a creamery and a sausage factory for its fifteen societies. (2)

(1) Williamson, T. R., op. cit., p. 305.

(2) Monthly Labor Review, Vol. 41, No. 4: Bureau of Labor Statistics, United States Department of Labor, Washington, D. C., October 1935, p. 990.

Considerable success has been realized in the field of production by cooperative marketing associations, particularly in dairy products.

As yet there has been very little production by consumer societies in the United States. Only 25 out of the 695 societies reporting to the Bureau of Labor Statistics for 1933 were engaged in manufacturing. Of these, 8 manufacture poultry and stock feeds, 1 engages in wheat and rye mulling, 7 manufacture bakery goods, 3 make sausage and smoked meats, 1 ice cream, 1 butter and cheese, 1 biscuits and hardtack, 1 bread, and 1 custom-made clothing. (1)

Early in 1936 the Consumers' Cooperative Association, Kansas City, opened a paint factory. The Central Wholesale at Superior, Wisconsin, was planning to start a fish-packing plant and the Farmers' Union Exchange at Omaha, Nebraska, was planning to start an oil-compounding plant, a factory for the manufacture of work clothing, and a twine mill. (2)

Summary

Cooperative production by early communistic societies, both in Europe and the United States, was a failure.

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- (1) "Report of the Domestic Distribution Committee, U. S. Chamber of Commerce," op. cit., p. 12
 - (2) Monthly Labor Review, Vol. 42, No. 6; Bureau of Labor Statistics, United States Department of Labor, Washington, D. C., January 1936, p. 1554

Most of those in the United States failed in a few years, a few lasted a decade, and one survived for nearly a century. Those operated by religious groups lasted longer than those operated by non-religious groups, but idealists do lack the practicality needed for success in business.

Likewise, cooperative production by workers has been a series of failures for the past hundred years. Efficient management and sufficient capital have been lacking. When success has been attained, the organizations have turned capitalistic, and control by workers has disappeared.

Cooperative production when carried on by consumers' societies has been generally successful in Europe. Manufacturing by farmers' marketing associations and farmers' purchasing associations has succeeded in the United States but production by consumers' societies is quite limited.

CHAPTER VII

THE PRESENT STATUS OF THE COOPERATIVE MOVEMENT IN THE UNITED STATES

Consumers' Cooperation

Local societies. The depression has caused the weaker societies to fail, and there has been a marked decline in the volume of business transacted by surviving societies. However, the decline has been less than in other classes of business and the recovery has been faster. An encouraging feature has been the decided advance in average membership of several types of cooperative societies since 1929. The cooperative idea makes its greatest appeal during depression because of the need to stretch the dollar.

The following figures taken from a table in Bulletin Number 612, prepared by the Bureau of Labor Statistics, United States Department of Labor show that there were 1,822 local consumers' societies in the United States at the end of 1933. (1)

(1) Bulletin Number 612: Bureau of Labor Statistics, United States Department of Labor, Washington, D. C., 1933, pp. 4-5.

Local Consumer Societies in 1933

<u>Type of society</u>	<u>Number of societies</u>
Store societies	878
Distributive departments of marketing associations	176
Gasoline and oil associations	616
Bakeries	10
Creameries	3
Restaurants and boarding houses	20
Launderies	1
Funeral associations	38
Publishing societies	7
Water supply societies	7
Trucking associations	1
Insurance societies	9
Housing societies	48
Hospitals	1
Garage societies	2
Cleaning and dyeing societies	1
Social and recreational associations	<u>4</u>
Total local societies	1,822

The average membership of many societies increased. For restaurants and boarding houses it more than doubled, creameries and bakeries gained more than 60%, and the

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THE NEW YORK PUBLIC LIBRARY
ASTOR LENOX TILDEN FOUNDATION
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rise for retail stores as a whole was 34%. (1)

The business done in 1933 by local consumer societies reporting (about one-third) aggregated more than \$40,000,000, nearly three-fourths of which was done in the North Central States. Store and oil associations accounted for more than 88% of the total. (2)

During this depression, the worst ever known, local societies saved their members more than \$5,000,000 in interest and rebates. (3)

The membership for 1933 in local consumer societies for the leading states was as follows:

Massachusetts	13,723
California	12,000
Ohio	10,139
Minnesota	8,543
Michigan	6,368
Illinois	3,976
Wisconsin	3,382 (4)

(1) Bulletin Number 612, op. cit., p. 7.

(2) Ibid., p. 9.

(3) Ibid., p. 10.

(4) Ibid., p. 16.

The membership for 1933 by sections was as follows:

East North Central	24,105
New England	14,867
Pacific	14,563
West North Central	13,078
Middle Atlantic	6,285
South Atlantic	1,541
East South Central	757
Mountain	522
West South Central	<u>204</u>
Total	75,922 (1)

These two sets of figures reveal that local consumer societies are strongest, in point of membership, in the North Central States, Massachusetts, and California. Membership in consumer societies in the remainder of the country is negligible.

The chief development in the field of local consumer societies is the remarkable growth of the gas and oil associations, which has been stimulated by the difficulties of the farm population.

(1) Bulletin Number 612, op. cit., p. 17.

The amount of business done in 1933 by local societies reporting for the leading states was as follows:

Minnesota	\$8,339,086
Illinois	5,213,744
Nebraska	3,049,028
Iowa	2,661,929
Wisconsin	2,449,657 (1)

The volume of business done in 1933 by retail stores reporting (excluding gasoline stations) in the leading states was as follows:

Minnesota	\$2,818,974
Massachusetts	1,818,505
Michigan	1,776,335
Washington	1,185,183 (2)

The leading states in sales of gasoline and oil were:

Illinois	\$4,058,872
Minnesota	3,712,212
Nebraska	2,550,273
Iowa	2,086,963
Wisconsin	1,304,606 (3)

These three sets of figures establish the supremacy of Minnesota in volume of business done by local societies;

(1) Bulletin Number 612, op. cit., p. 20.
(2) Ibid., p. 20.
(3) Ibid., p. 20.

that Massachusetts ranks high in strictly retail store sales; that the cooperative gasoline and oil business is almost exclusively in the Central States; and that the bulk of the business of local consumer societies is also done in the Central States.

A very recent and interesting development in consumer cooperation is the cooperative health association located at Elk City, Oklahoma. It was organized in 1930 and by 1933 had a paid-in capital of \$81,000.

Each member is required to purchase a \$50 share and pay a fee of \$12 a year. This entitles the husband, wife and unmarried children under 21 years of age to annual free physical examinations and free prescriptions.

Major operations may be had as low as \$20 and room, board, and nursing at the hospital for \$4 a day.

Consumers' wholesales. Wholesale cooperation developed slowly in the United States until 1934. The year before the total business of nine large wholesales reporting to the Bureau of Labor Statistics amounted to less than \$9,000,000. (1)

The failure of an attempt to establish a national wholesale in 1920-1921 has been followed by a tendency to build regional wholesales. Four regional wholesales have

(1) The Annalist, September 4, 1936, p. 317.

survived the depression, and a rapid expansion of this phase of consumer cooperation has taken place in 1934 and 1935. There are now 12 regional wholesales handling consumers' goods:

Middle West	8
Pacific Coast	2
East	1
South	1 (1)

The rise in wholesale cooperatives does not mean an advance in the total business of consumers' societies. It may signify a transfer of the consumer associations from private to cooperative wholesales.

The wholesales have grown so rapidly that reports of seven of them show combined sales for 1935 of over \$25,000,000. (1)

There are also a number of wholesales that handle farm production goods.

Another attempt is being made to establish a national wholesale. In 1933 the National Cooperatives, Inc. was organized to act as a wholesale for a group of regional wholesales.

This rapid expansion of cooperative wholesales appears to be a serious threat to the private wholesale

(1) The Annalist, September 4, 1935, op. cit., p. 317.

trade, which is already suffering from chain store development.

Manufacturing. Consumers' societies carry on relatively few production activities. There are a few bakeries, sausage factories, an ice cream plant, a paint factory, and a few other small establishments.

In all probability the recent expansion by cooperative wholesales will be followed by an increase in manufacturing. Local societies in the country are, for the most part, small and lack sufficient capital to engage in manufacturing. Wholesale societies can accumulate the necessary capital and can establish the necessary outlet for their goods.

Education and propaganda. In the Cooperative League of the United States, the cooperative movement in this country has an effective organization to promote cooperation.

Its president, Dr. James P. Warbasse, is an inspiring leader, and much of the recent development of consumer cooperation must be given to Dr. Warbasse. In 1934 the League had 1,498 affiliated societies. The total publications of the League exceed a hundred.

Summer training schools for cooperative employees are conducted. These include one at Superior, Wisconsin, and another at Katonah, N. Y. (1)

(1) The Cooperative League Yearbook for 1932, The Cooperative League, N. Y., p. 25

The size of this country has made necessary the formation of district leagues, and three are now in operation.

Producers' Cooperation

There is little to be said today about productive enterprises owned and operated by workers. They form a very small part of the cooperative movement in the United States. It is a diminishing phase of cooperation.

At the end of 1933 there were only 18 of these factories in the entire country. These 18 factories were owned by 1,181 share-holders of which only 447 were employed in their own factories. (1)

Workers' productive factories generally fail because of poor management and lack of sufficient capital.

Workers' productive enterprises in 1933 included: household supplies, gasoline and motor oils, cigars, shoes, fish canneries, shingles, and ply wood.

Cooperative Credit

Credit unions. Credit unions in the United States seem to be growing faster than any other part of the consumers' movement. New ones are being organized at the rate of 150 a month, and membership increases about 28,000 a month. (2)

Forty-one states now have laws permitting the formation of credit unions, and the Federal Credit Union Act

(1) Bulletin Number 612, op. cit., p. 72.

(2) The New Republic, May 6, 1936, p. 360.

of 1934 makes it possible to form a credit union in any state. (1)

There are 36 state leagues of credit unions, and these in turn maintain a Credit Union National Association, of which Edward A. Filene of Boston is president. (2)

Massachusetts has continued to hold the lead in the credit union movement, but other states are beginning to challenge it.

The most phenomenal growth in number of societies has been in Wisconsin. There were only 2 societies in Wisconsin in 1925, and by 1933 there were 209, which placed the state second to Massachusetts in point of number of societies. (3)

The number of societies has also increased fast in Illinois, Iowa, Minnesota, and Missouri.

Massachusetts also leads in aggregate membership. The 1,673 societies reporting in 1933 had an aggregate membership of 359,646. (4) Massachusetts societies lead with 28% of the total membership. New York was second and Illinois third. The largest average membership is found in Rhode Island.

(1) The New Republic, May 6, 1936, p. 360.

(2) Ibid., p. 360.

(3) Bulletin Number 612, op. cit., p. 52.

(4) Ibid., p. 56.

The three oldest credit union states, Massachusetts, New York, and Rhode Island, account for 44% of the total membership.

The total resources, by states, of the credit unions reporting to the Bureau of Labor Statistics in 1933 were:

Massachusetts	\$12,030,012
New York	6,913,821
New Hampshire	1,967,421
Rhode Island	1,965,300
Illinois	1,762,946
Minnesota	1,365,227
Wisconsin	1,094,072 (1)

It is apparent that the North Eastern States still lead in the credit union movement, but the North Central States are coming forward rapidly.

Credit union loans outstanding at the end of 1933 amounted to \$26,391,683. (2) Massachusetts led with 37% of the total, followed by New York and Rhode Island.

Losses by credit unions are insignificant. The total loss for 1933 of all societies reporting was only \$66,663 or .24% of the loans of all societies. (3)

Building and loan associations. This semi-cooperative movement had a total of 10,727 associations in the United States in 1933.

(1) Bulletin Number 612, op. cit., p. 59.

(2) Ibid., p. 62.

(3) Ibid., p. 66.

The following table shows the total membership and total assets for the leading states at the end of 1933. (1)

State	Number of associations	Number of members	Total assets
Maryland	1,000	283,000	\$185,000,000
Massachusetts	227	436,920	502,873,869
New Jersey	1,532	970,000	1,050,000,000
New York	293	481,928	394,643,465
Ohio	727	1,968,129	895,028,774
Pennsylvania	2,908	884,065	957,791,288

A study of this table reveals that the greatest development in this type of cooperative credit has been in the Middle Atlantic States, and that New York and the New England States are relatively less important.

Mutual savings banks. The number of mutual savings banks has declined since 1920 from 620 to 578. However, this record is relatively good in comparison with other types of banks. Practically one-third of all the banks in the country have failed since 1920.

In spite of the fact that the number of banks declined, deposits have increased from about \$5,000,000,000 in 1920 to nearly \$10,000,000,000 in 1934. Deposits for the peak year of 1932 were slightly in excess of

(1) Bulletin Number 612, op. cit., p. 70.

\$10,000,000,000. (1)

The leading mutual savings bank states are shown in the following table:

State	Number of banks	Number of depositors	Amount of deposits
New York	138	6,463,196	\$5,139,593,000
Massachusetts	193	2,834,457	2,045,087,000
Connecticut	73	962,665	661,173,000 (2)

It is easy to see why Massachusetts and New York do not rank high in building and loan association developments. While wage earners in the Middle Atlantic States have been depositing their savings in building and loan associations, the wage earners of New York and Massachusetts have placed their savings in the mutual savings banks.

Cooperative insurance. Little can be said about the present status of cooperative insurance. The mutual insurance companies are thriving, but they are hardly a part of the cooperative movement.

The few strictly cooperative insurance companies have been formed as independent societies. The leaders of the cooperative movement contend that they will not be successful until they affiliate with consumers'

(1) Bulletin Number 612, op. cit., p. 70.

(2) Ibid., p. 69.

wholesales.

Cooperative Marketing

By manufacturers and retailers. No statistics are available which show the amount of cooperation among manufacturers and retailers. It is safe to say that it is increasing rather than decreasing.

As long as a "buyer's market" prevails, competition will be keen and the need for economy will stimulate further growth.

Among farmers. To students of the Cooperative Movement, the cooperative marketing activities are of considerable interest. This has been one of the fastest growing and most successful phases of cooperation in the United States.

In July 1935 there were 10,700 cooperative marketing or purchasing associations. (1) All except 18% of this number were marketing associations. They had a total membership of 3,280,000.

70.1% of these associations were located in the North Central States, and Minnesota, Illinois, Iowa, and Wisconsin led in the number of associations and in membership. 30% of the associations marketed grain and

(1) Monthly Labor Review, Vol. 43, No. 3, "Farmers' Cooperative Associations, 1934-35," August 1935, p. 596.

21% manufactured and marketed dairy products. (1)

The total estimated sales of farmers' cooperative marketing enterprises for 1934-35 was \$1,530,000,000. (2)

Business was done by the leading states as follows:

California	\$180,910,000
Illinois	141,700,000
New York	124,520,000
Minnesota	122,450,000
Iowa	106,830,000 (3)

California leads in volume of business done due to the high development of cooperative marketing among the fruit growers of that state.

Cooperative marketing of dairy products accounts for the large volume of business done in New York state.

The middle western states market a large part of their dairy products, grain, and livestock cooperatively.

The following table shows the relative importance of the different agricultural products in the field of cooperative marketing. (4)

(1) Monthly Labor Review, Vol. 43, No. 3, op. cit., p. 596.

(2) Ibid., p. 596.

(3) Ibid., p. 596.

(4) Statistical Abstract of the United States for 1935, United States Government Printing Office, Washington D. C., p. 586.

Cooperative Marketing by Commodity Groups
1934 - 1935

Commodity	Number of associations listed	Estimated membership	Estimated business
Cotton and products	250	200,000	\$100,000,000
Dairy products	2,286	757,000	380,000,000
Fruits and vegetables	1,194	185,000	182,000,000
Grain	3,178	600,000	285,000,000
Livestock	1,371	410,000	162,000,000
Poultry products	147	73,000	48,000,000
Tobacco	16	46,600	5,500,000
Wool and mohair	120	63,800	13,700,000
All others	2,338	820,000	188,800,000

It is apparent that the principles of cooperative marketing have been mostly successfully employed by the producers of dairy products, grain, fruit and vegetables, and poultry products.

Less success has been attained in the cooperative marketing of cotton, wool, and tobacco.

Farmers' cooperative purchasing associations. Throughout the country farmers' cooperative purchasing associations have grown rapidly in recent years. In 1929 farmers purchased cooperatively farm supplies worth \$125,000,000; this business had doubled by 1934.

Chiefly in the Middle West and Far West cooperative

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Volume	Number	Date	Page
1	1	January 1, 1907	1
1	2	February 1, 1907	1
1	3	March 1, 1907	1
1	4	April 1, 1907	1
1	5	May 1, 1907	1
1	6	June 1, 1907	1
1	7	July 1, 1907	1
1	8	August 1, 1907	1
1	9	September 1, 1907	1
1	10	October 1, 1907	1
1	11	November 1, 1907	1
1	12	December 1, 1907	1

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purchasing of petroleum products has come to be of great importance. 644 oil associations reporting to the Farm Credit Administration did a retail business of \$31,900,000 in 1934. (1) About 30% of the gasoline and oil sold in Minnesota is sold through cooperatives. There are 10 cooperative oil wholesales in the United States which supply local associations, and there are 4 cooperative oil-compounding plants.

There is much more manufacturing done by farmers' cooperative purchasing associations than by consumers' societies. In addition to oil-compounding plants, there are several mills which manufacture poultry and stock feed, and a few fertilizer factories. The Eastern States Farmers' Exchange of Springfield, Massachusetts, operates a feed mill at Buffalo, New York, and a fertilizer factory near Boston, Massachusetts.

CHAPTER VIII

THE FUTURE OF THE COOPERATIVE MOVEMENT IN THE UNITED STATES

Conflicts Within the Movement

Cooperative enterprise is generally considered to include four classes: distribution, credit, marketing, and production. However, their common interests are more sentimental than practical.

Productive cooperation, in the form of shops owned and operated by workers, never did harmonize with consumers' cooperation. Consumers' societies seek to eliminate profits and secure goods for their members at lowest prices. Producers' cooperatives endeavor to keep prices up and to transfer the profit from the capitalist to the workers. Hence, the interests of these two groups are opposed. But producers' cooperatives are practically a dead issue in this country and have no bearing on the future of the cooperative movement in this country.

The main conflict within the movement is between consumers' cooperatives and agricultural marketing cooperatives.

Consumers' cooperation involves the collective ownership of stores, factories, land, etc. for the purpose of securing goods for the use of its members at low prices by the elimination of profits.

On the other hand, agricultural cooperative marketing associations combine only in the manufacture and sale of the products of their members. Their purpose is to increase the financial returns from those sales by reducing the charges of middlemen and by maintaining a high price level for their goods by regulating the volume of sales.

Consumers' cooperation is a revolutionary movement which seeks to displace capitalism, the profit system. Agricultural cooperation is purely capitalistic, and merely seeks to gain more of the profit for its own members. The main point of conflict is in the matter of prices. Idealists claim that the interests of these two groups can be harmonized within the cooperative movement. Outstanding leaders in the consumers' cooperative movement claim that the only solution is for consumers' societies to take over and operate the farms for the benefit of consumers. The trend in the United States does not seem to be in that direction. In fact, the tendency seems to be for the consumers and the farmers to organize in opposition to each other. If this tendency continues, sooner or later the present loose affiliation between these two groups will disappear.

Credit societies have a closer affinity with consumers' societies. At present there is little or no conflict

between these two groups in the United States. However, should the consumers' movement branch out into the banking business, as it has in Europe, then there would be no need for separate credit societies.

The conflict within the movement between consumers' societies and agricultural societies would seem to indicate that cooperation as a revolutionary movement will not succeed in displacing capitalism in this country.

The Attitude of the Government

The history of the cooperative movement in Europe indicates that the attitude of the government has much to do with the progress of cooperation. Cooperation has flourished in such countries as England and Sweden, where the governments have either been sympathetic or have not set up obstacles. The cooperative movement has lagged in Germany and Italy, where the governments have opposed it.

Up to the present administration, property rights have been paramount; the interests of the consumer have been neglected.

Previous administrations have been sympathetic toward the farmer and his problems. The United States Department of Agriculture has even advocated and promoted the formation of farmers' cooperative marketing and

purchasing associations.

The credit union movement, which supplements rather than conflicts with the capitalistic system, has been accelerated by the passage of excellent credit union laws and recently a federal law.

However, no particular aid has been given the consumers' cooperative movement by previous administrations.

The Roosevelt administration has been even more sympathetic toward the farmer and to a lesser extent toward consumers.

Government aid has been extended to cooperative enterprises of farmers and consumers: (1) through the passage of laws by 34 states permitting the incorporation of cooperatives under special charters; (2) through the granting of tax exemptions; and (3) through aid given in the form of financing and technical advice. (1)

As a result of tax exemptions, cooperative stores engaged in selling foodstuffs often are relieved of paying specific license fees.

In states which have income tax laws, cooperatives -- whether producers or consumers -- are usually exempt from the payment of such taxes.

But under rulings of the Bureau of Internal Revenue, consumers' cooperatives, as such, are not exempt from

(1) Report of the Domestic Distribution Committee, op. cit., p. 22.

the payment of federal income taxes.

Cooperative enterprises have received financial aid from various governmental agencies. The financial aid extended to agricultural cooperatives has been substantial. In the field of consumers' organizations, financial assistance has been given to promote rural electrification lines.

Several federal agencies have in recent years issued publications designed to be helpful in organizing consumers' cooperatives.

President Roosevelt became so interested in the possibilities of cooperative enterprise as a solution for economic problems in this country that last July he sent a commission to Europe to study cooperative activities.

This commission visited Britain, Sweden, Norway, Denmark, Czechoslovakia, Switzerland, Holland, and Belgium.

In its report this committee did not propose methods for injecting government-subsidized cooperative enterprise into retail economy. Instead it merely recommended (1) a survey of cooperative enterprise in the United States, (2) that an agency be established to give cooperative information and advice, and (3) that steps be taken to assure consumer cooperatives credit parity. (1)

(1) "Report of the Inquiry on Cooperative Enterprise in Europe;" Domestic Commerce, Vol. XIX, No. 9, Bureau of Foreign and Domestic Commerce, Washington, D.C., March 30, 1937, p. 188.

Business Week claims that the President has reached the conclusion that in this big United States, the methods of promoting cooperative enterprises which

(1) Business Week, February 6, 1927, p. 33.



have been successful in the small European countries would be futile.

Conservative sponsors of the cooperative movement will be satisfied with this report. They oppose government aid that would induce mushroom growth of cooperative organizations but eventually leave them flat.

Government is giving much aid to the cooperative movement and, as yet, no handicaps such as government subsidizing are in sight.

Obstacles to Effective Cooperation in America

To make cooperatives grow in our capitalistic environment is not easy. Among the difficulties which the cooperative movement has to face in the United States are the following:

1. Geographical isolation. The population of the United States is spread over such a large area that cooperation between peoples in different sections of the country would be difficult. In fact, the economic interests of the different sections are not harmonious.

2. Capitalistic spirit is strong. The people of the United States are infected with the profit motive: they want to make money quickly and easily in capitalistic enterprise.

3. Many different nationalities. In the United

States there are many different nationalities and, unfortunately, from a social point of view, many of these nationalities are clannish. They tend to segregate in different sections of a city, or in different cities, or in different states. They cooperate well within their own groups, but it usually takes a national emergency to secure cooperation between nationalistic groups.

4. Large-scale retailing. The competition of the great chain stores is severe and their low prices make competition by a cooperative difficult.

5. Large-scale manufacturing. Mass production has been so successfully developed in this country that many believe that it is virtually impossible for cooperatives to enter the field of manufacturing.

6. The attitude of American labor. In European countries cooperatives have had the support of labor unions. In the United States organized labor has been more interested in bargaining for higher wages than in the promotion of thrift. It is true that coal miners in Illinois and Pennsylvania and labor unions in Seattle, Washington, have sponsored cooperatives, but on the whole cooperatives have not received much support from organized labor.

American labor is mobile. Migration of labor from city to city and from state to state makes difficult the promotion of cooperative stores. This is one of the

reasons why the cooperative movement has lagged in the cities of this country.

7. Lack of thrift. Americans have enjoyed relatively high wages and a rising standard of living. On the whole, they are not interested in saving small amounts.

Success in Nationality Groups and Among Farmers

In spite of these many obstacles, there has been a large amount of cooperative activity in the United States.

Most of this success has been due to nationality groups and among the farmers. The cooperative movement in Massachusetts has been almost entirely among the Finns except for the farmers' cooperative marketing and purchasing societies. In the North Central States, the backbone of the cooperative movement in this country, most of the cooperative activity has been developed by the Finns. In Metropolitan New York most of the cooperative societies are Jewish. In the Middle West it has been carried on among the Bohemians, Belgians, etc.

Cooperative marketing has not been localized in nationality groups, but has been carried on by the farmers.

What this success among nationality groups indicates is problematical. It may be that the cooperative movement in this country is to be limited to these groups

and that cooperation on a national scale is impossible. On the other hand, this may be the natural way for it to start in this country. The Finns and other nationalities had cooperative experience before they migrated to this country, and they naturally would develop it before native-born Americans who had had no cooperative background.

A Possible Solution of the Agricultural Problem

The future of cooperative marketing of farm products and the cooperative purchasing of farm supplies seems assured.

The large and rapid growth of farmers' cooperative marketing associations is due to the fact that the farmers have been able to secure better prices for their products and to lower the costs of distribution. By engaging in cooperative manufacturing they have been able to solve in a large measure the problem of surplus. This has been particularly true in the case of dairy products.

Cooperative purchasing of poultry and livestock feed, fertilizers, and petroleum products has enabled the farmers to secure these essential farm supplies at a large saving. It is significant to note that the retailing of these products has never been developed on

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a large scale by private retailers. Not only have the farmers been able to lower the cost of feed, seed, and fertilizers, but they have improved the quality of these products.

These two cooperative activities may solve the farm problem which statesmen and economists have failed to do.

Basis for Competition with Profit-Business

The small margin of profit in consumers' goods as retailed by profit-business would seem to make it difficult for consumers' cooperatives to compete on a price basis. The rebates that can be returned to consumers is not large enough to draw their trade from the chain stores.

176 local consumer societies reported sales for 1935 of \$13,766,688 and 155 of these reported net savings of \$663,206, an average rebate of less than 5% (4.8⁺%) 93 were store societies and reported sales of \$8,686,503 with 85 reporting net savings of \$313,919. Thus, for store societies the average rebate is less than 4% (3.6⁺%) (1)

However, there is one point at which profit-business is quite vulnerable and that is in the matter of quality. The Eastern States Farmers' Exchange has proven to the

(1) "Cooperation;" Monthly Labor Review, Vol. 43, No. 5, Bureau of Labor Statistics, U. S. Dep't. of Labor, Washington, D. C., Nov. 1936.



farmers in that district that, while they may not be able to sell them the same quality product at lower prices, they can sell them a better product at no higher price. The Exchange can and is providing the farmer with grain that will produce more eggs and milk and with fertilizer and seed that produce more crops. And they are doing it at prices no higher than those charged by profit-business for less productive supplies.



They have succeeded in educating the farmers to buying on a quality basis rather than a price basis with the result that their sales have increased rapidly at the expense of profit-business.

As the discriminating purchaser well knows, our chain-store retailers are just as vulnerable at this point as are the retailers of farm supplies. If the consumers' cooperatives can educate the consumer of household supplies to look for quality, they have a sound basis for competition, and the consumers' cooperative movement will expand.

Farm supply associations, such as the Eastern States Farmers' Exchange, have found it necessary to establish their own factories in order to control the quality of the products they retail. Consumers' societies will have to do the same thing. They lack the factories at present, but they now have the regional wholesales. They must take the next step and build factories of their own if they are to compete on a quality basis. If profit-business continues to neglect quality, and the cooperatives succeed in educating the public, the future development of consumers' cooperation on a large scale is possible.

There are also many points at which competition with profit-business is possible on a price basis. Many of our highly advertised brands of toilet articles,

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cosmetics, medicines, etc. could be sold at much lower prices. Consumers' wholesales could have such articles prepared by manufacturers under the cooperative brand name and market them at much lower prices.

In spite of claims to the contrary, there are many monopolies in this country that require consumers to pay monopoly prices. The obstacle to cooperative competition is that these monopolists are manufacturers rather than retailers. It is the manufacturer, not the retailer, who controls the sale price of the goods. Hence, to compete in this field consumers' societies would have to establish their own factories. In some cases the monopolists have control of the natural resource, thus rendering competition impossible.

A Supplement to Modern Capitalism

The future of cooperative credit and farmers' cooperative marketing and purchasing seems to be safe. However, these cooperative activities supplement rather than displace the capitalistic system.

Credit unions, building and loan associations, and mutual savings banks have supplied banking facilities that were not provided by other banking institutions.

Farmers' cooperative marketing associations have flourished because the modern capitalistic system did

not include adequate distributive machinery for the disposition of farm products. It is true that they have tended to displace middlemen, but so did the chain store. These marketing associations are a part of the capitalistic system. They merely represent the substitution of a new and more efficient piece of machinery for an inadequate one.

Farmers' cooperative purchasing associations are more closely allied to the revolutionary cooperative movement, consumers' cooperation. They seek to purchase goods to be used in crop production, which are classed by the economist as "producers' goods." Nevertheless, they involve the collective buying of goods and are non-profit organizations.

These cooperative purchasing associations have displaced profit-business retailers and wholesalers, hence they displace rather than supplement capitalism. However, a large-scale, efficient system for the sale of farm products had not been developed. They have supplied a service that private business had failed to supply, and for that reason they may be considered a supplement. Their place in the modern capitalistic system seems assured.

The future of consumers' cooperation in the United States is the most difficult to vision. The present indications are that the capitalistic system will survive in the United States. That does not mean that consumers' cooperation will disappear. In fact, it will grow with

the population. Its growth may be more rapid than the growth of population.

The field of business may be divided into three spheres. There is already established a sphere of business for the government; the field of public utilities. The participation of government in business today includes gas, water, electricity, and may in time include railroads, telephone and telegraph, and banking and insurance. Private business will continue to supply many of these services, but the sphere of the government seems to be restricted to this field.

The sphere of consumers' cooperation will probably be restricted to the manufacture and sale of household necessities and farm products. Private business will continue to supply a large share, no doubt the largest share.

Private enterprise will continue to do most of the manufacturing and retailing. It is in these two fields that profit-business has been most efficient in this country.

There is apparently a place for all three types of enterprise, and it does not seem likely that either state socialism or cooperation will displace capitalism in the United States.

State socialism and cooperation will continue to

be a threat to profit-business, and their pressure should gradually bring about many needed reforms in our capitalistic system.

At present only a fraction of the business in the United States is done cooperatively and 75% of this is done for profit by marketing and producers' associations. About \$200,000,000, or less than one-half of one per cent, is carried on by consumer cooperatives. (1)

Over 1,500,000 retail outlets exist in the United States today. (2) Complete data is lacking as to the number of cooperative retail outlets, but the number of cooperative retail societies is not more than 1800. (3) The number of cooperative retail outlets would be somewhat larger, but, at the most, would be only a fraction of one percent of the total retail outlets.

Cooperation will stand as a safeguard against monopoly. For example, if the chain stores should establish a monopolistic position in the retail field, the cooperative movement will experience a rapid growth.

Cooperation through its educational program will tend to make consumers quality conscious. Profit-business will be forced to give better quality goods or see cooperative enterprise displace it.

(1) "Consumer Cooperatives:" Fortune Magazine, Time, Inc., New York, March 1937, p. 140.

(2) Report of the Domestic Distribution Dep't. Committee, op. cit., p. 21.

(3) Ibid., p. 11.

An examination of the business periodicals of today reveals that our business leaders are aware of this pressure that cooperation is already exerting, and it is doubtful if they will allow their house to tumble down before repairing it.

The Cooperative Movement in the United States is not revolutionary; it will not displace capitalism, but rather supplement and improve it.



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Theory and problems of cooperative movement in U.S.	
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5.30	Vita Albert
2	John L. Barry
9.30	Frank James Sullivan
10	Dean W. Brown

3.00

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